Manufacturing

Third blow to electronics market development

by John Draper

VIDEO cassette recorders are recreating the boom days of colour television sales for the electronics industry in Western Europe, America and Japan.

But New Zealanders will miss out for some years because the Department of Trade and Industry says we cannot afford such luxuries.

Local manufacturers approached the department in 1978 seeking to begin production.

Technological improvements in the last 18 months have been vast with a dramatic effect on costs. And Trade and Industry has taken time to consider the case.

The department vetoed producing VCRs locally and declined to import licences for completely built-up sets other than for educational and professional purposes. It justified the licence stand on the grounds of our balance of payments deficit.

But the consumer is not easily denied.

Two Christchurch retailers are offering a range of VCR sets which have found entry with returning travellers. In Australia the sets are selling fro $600, in Christchurch they are going for more than double.

Manufacturers are annoyed. It is the third time recently Government or quasi-government interference has clamped down on their product and market development.

First was the Government's refusal to allow FM broadcasting, until, as the industry suspects, the Broadcasting Corporation is ready to launch a nationwide network.

Teletext fell foul of the BCNZ's spending cutbacks. And more recently VCRs have been hit.

In the pipeline, awaiting Government approval, are viewdata systems which could give the industry the boost it needs from now — slowing colour television sales.

Estimations of VCR market size vary from 5000 within a year to 50,000 over two years.

Ideally, the manufacturers would prefer to test demand with imported sets before investigating millions to produce locally.

VCRs represent a considerable advance in technology for the domestic industry, which claims would be put to good use in developing products for commercial and industrial uses that might have some export potential.

Without a strong consumer base, manufacturers argue the technology is uneconomic for low volume products.

The industry is now making its views known to a committee from Customs, Treasury and Trade and Industry, which is studying radio and television manufacturing as ordered in last year's Budget.

The Budget indicated that the study should recommend changes to make the industry more export competitive and "to encourage the transfer of resources into export activities, and to deal with those few instances where manifestly excessive costs do emerge in our raw materials, componentry and capital equipment industries".

Manufacturers fear that intention will mean the reduction of tariffs and the end of import licensing for televisions, radios and some stereo equipment. They maintain that this would bring about the industry's downfall in much the same way as the Whitlam Government did in Australia in 1973.

The electronics industry, which covers far more than just radio and television to which the Government study is confined, employs 3000 people directly and claims far more indirectly. For example, Waihi's main employer is the Pye television factory.

Manufacturers claim the cheap labour advantages of Taiwan, Hong Kong and other South-east Asian centres will be eroded in the next five years as assembly becomes more automated.

Then, they argue, production in New Zealand will be as competitive as in the present cheaper cost centres.

The interdepartmental industry study committee is assessing the radio and television makers on their contribution to economic growth and on future export potential. The ability to meet the local market needs with regard to price, quality, design and service will be considered, as well as the impact on regional development and employment.

Factors that the committee will bear in mind when making recommendations to Cabinet are the high price of locally made products — though the manufacturers claim the ex-factory price of a colour television set is only $10-$15 above that produced in Australia — and the effective degree of protection given to local industry.

"Screwdriver" operations, adding only 15-20 per cent New Zealand content such as VCR production in its initial stages, are likely to be frowned upon.

Common interests behind UEB merger

by Warren Berryman

NEW Zealand Forest Products' bid for 40 per cent of UEB Industries shares, if successful, would not change UEB's status as a free-standing entity, UEB managing-director Rob Tedcastle said the other day.

The "merger" was one of common interests, Tedcastle said. NZFP would not be telling UEB management what to do, he said.

Common interests lie in the pulp and paper and packaging fields. UEB will go ahead with its $27 million paper mill at Te Rapa making lightweight papers from tissue to wrapping paper. This move will break the Caxton monopoly on tissue.

NZFP's purchase of UEB shares thwart the bid by Caxton's owners — the Spencer family — for a significant chunk of UEB's shares.

Supplies for UEB's paper mill will come in part from kraft waste from UEB's own packaging plants and from raw kraft pulp from NZFP.

Tedcastle said UEB and NZFP had been talking about their common interests for some time — long before the Caxton bid for UEB shares.

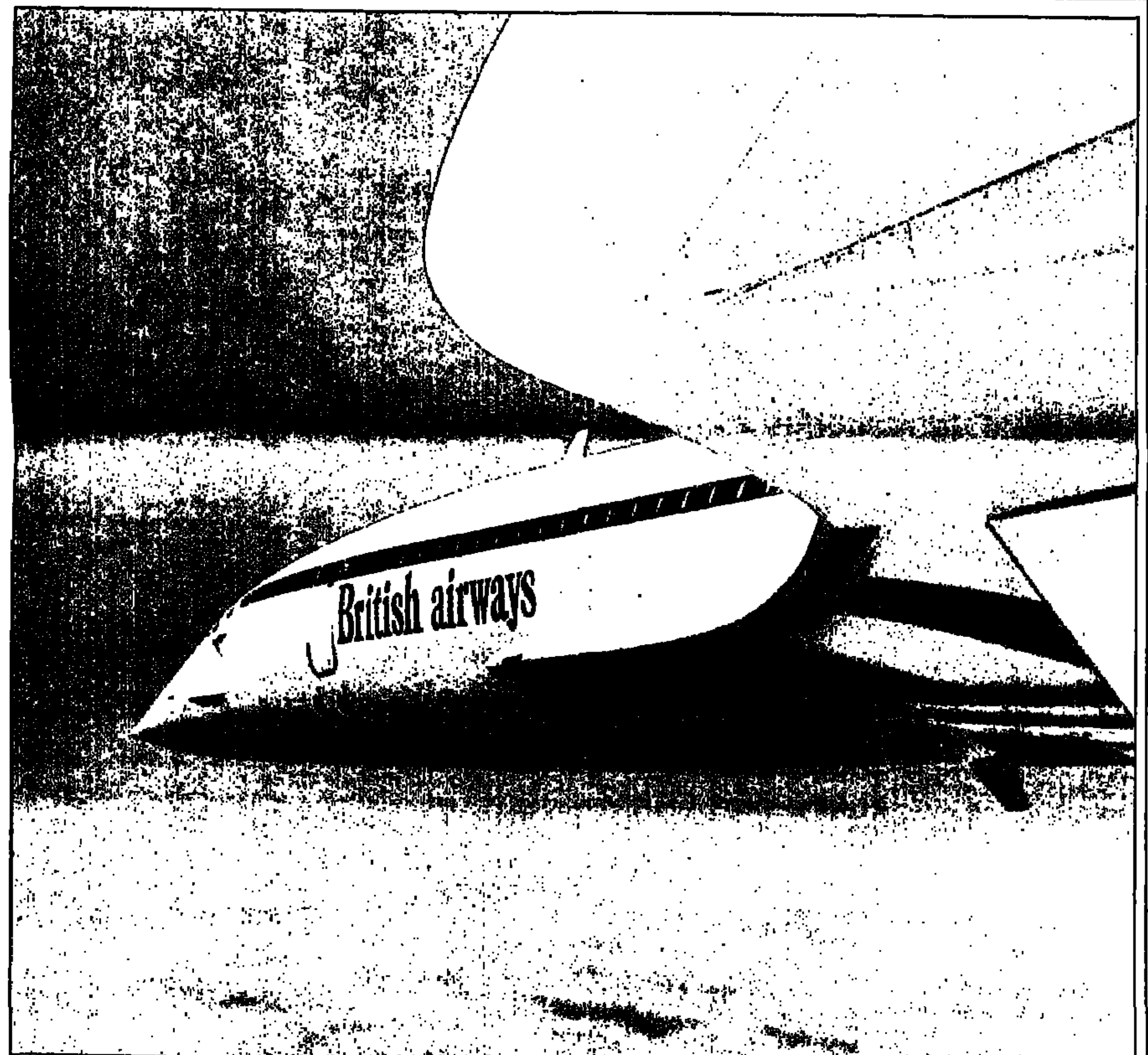
The prime benefit to UEB of the NZFP shareholding would come in the form of technical aid from NZFP in the paper industry.

UEB was not planning to drop its other diverse activities, such as its carpet plants, to concentrate on forest-based industries. But Tedcastle hinted at some "rationalisation" in UEB's tourist industry holdings.

The NZFP bid for UEB shares is part of a changing pattern in the forestry industry. The large companies are lining up for a slice of the 10-fold increase in forestry-based production predicted for the 1980s.

Fletchers' bid for Carter Holt, if successful, would give the Fletcher-Carter Holt Tasman Pulp and Paper combine 64 per cent of the cutting rights for State forest timber. This wood is heavily subsidised by Government funds.

It costs the Forest Service or private interests $15 a cubic metre to grow logs in a managed forest. The Forest Service can export these logs (on a stumpage basis) for $40 a cubic metre. But it sells them to Tasman for $2 a cubic metre for pulp. That price might escalate to $9.25 over the next five years for saw logs.



Volume 10, No. 20 (Issue 385) June 2, 1980 ISSN Page 3

NEW ZEALAND'S NATIONAL WEEKLY OF BUSINESS, POLITICS AND ECONOMICS

NATIONAL BUSINESS REVIEW

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Inside

Trust fund probe may open lawyer's books to police

by Warren Berryman

AUCKLAND lawyer John Murfitt is under investigation by the Fraud Squad and the Law Society.

The investigation, principally the responsibility of the Auckland District Law Society, will create complicated issues of confidentiality because of police interest in a matter, different from that which led the Law Society to act.

The Auckland Law Society took over control of Murfitt's large trust account 11 days ago.

The Law Society investigator, Auckland accountant John Tuck, has taken possession of Murfitt's trust account records.

Murfitt previously acted for Christopher Martin Johnstone, also known as "Mr Asia", in setting up the Milltone group of companies.

Three of those companies had their initial office shown as Kendon Mills Muldoon and Browne, to that firm's embarrassment; and at least one other had its registered office at Murfitt's offices.

Police have been anxious to look at Murfitt's trust account record — but have been limited in their powers of general search by lawyers' confidentiality.

The law prevents the police from going on "fishing expeditions" where no particular item or document is being sought.

But police would, for example, like to check records connected with Johnstone to see if any mention could be found of Simon Westhope, described as an Auckland company director, who apparently financed the sale of the drug yacht Brigadoon in 1975.

Now that the Law Society has possession of the trust account records, these may be referred to the police by the Law Society if the society considers this should be done.

But the intervention of the Law Society and Fraud Squad stems from complaints laid in an apparently unrelated case.

The complaint involves Te Totara Farms Ltd (a company owned by Murfitt relatives), John Murfitt Nominees Ltd and Murfitt's trust account.

It appears there has been a family dispute leading to allegations that Murfitt verified an apparently forged signature, and was also in breach of fiduciary duty.

While the investigators explore highly complex financial matters, two documents apparently are the keys to the investigation. One is a mortgage document registered at the Auckland Land Transfer Office.

According to this document, Brian Keith Smith and wife mortgaged a Pakiri property owned by them to John Murfitt Nominees Ltd for $4000. Smith is related to Murfitt.

The $4000 raised on his property appears to have gone into Smith's trust account held by Murfitt.

But Smith has sworn in an affidavit that the signature on the mortgage document is not his own.

The investigators want to know who signed the document if Smith did not, and who got the $4000 if Smith did not?

The document shows Murfitt's signature as a witness to the signing of it.

The second document is another registered mortgage, a mortgage for $62,000 on Te Totara Farms Ltd with John Murfitt Nominees Ltd as mortgagee.

This document is unusual in two respects. Murfitt's signature appears on behalf of both the lending and borrowing companies.

Nominee companies use money from un-named contributors. In this case there appear to have been 12 or 13 such contributors.

Audit regulations and Law Society rules demand that the borrower of such funds declare his interest if he is the same lawyer allocating the funds.

If a lawyer wishes to place his client's funds with a com-

Continued on Page 2

Bumper dairy season

by Rae Mazengarb

THE Dairy Board has had a bumper year, with production of milk fat reaching all-time records.

And farmers will receive their highest-ever returns because of sharp increases in prices on world markets for our dairy products.

Export sales this year will reach $800 million — up 10 per cent on the $650 million figure achieved last year.

While a rise was expected — if only to take account of inflation — other major factors contributed to the bumper exports.

The increase in earnings now obtained was directly related to the EEC reducing export subsidies and increasing its FOB prices, said external economics manager Stan Blackmore. (The EEC and New Zealand provide the bulk of the world's dairy exports.)

The EEC had heavily decreased its surplus stock to the point where there might be almost no surplus to keep international market prices down, Blackmore told *NBR* last week.

For example, skim milk powder stocks in the EEC have dropped from their normal level of more than 1 million tonnes to under 200,000 tonnes in the last three years.

As a result the price of skim milk powder on the international market has risen from around US$375 a tonne to around US$900 a tonne.

A similar pattern has emerged for our other main dairy products — butter, cheese and whole milk powder.

Though the process has developed over many months, the results have become evident only in recent months, according to Dairy Board officials.

Other reasons for the bumper export earnings are the sharp decline in the Australian dairy industry and a more profitable "produce mix", board general manager Bernie Knowles told *NBR*.

Because both Australia and Canada have been withdrawing from export markets, New Zealand has been able to move in.

A more profitable utilisation of some 6 million tonnes of milk for a range of products resulted in higher returns than previously had been achieved.

A wet summer meant production achieved an all-time record of 290 million kg of milk fat — up 5 per cent on a previous best of last year.

This high production level could have led to a drop in prices, because of the above-mentioned factors, but farmers' returns were the highest ever.

Farmers have already received a base price of $1.85 a kilogramme of fat in whole milk, and will receive a further payout of 22-23 cents per kg at the end of the year.

The final figure of $2.07-8 compares with $1.84 per kg last year.

Sharemarket information

FROM next week *National Business Review* will resume the publication of a weekly sharemarket table. The table has been consolidated and includes only high and low prices for the week's last sale and the turnover figures.

But we have now included preference shares and it is the publishers' intention to consolidate monthly figures and produce, on a four-weekly basis, additional statistical information including other share ratios.

It is our intention, too, to continue to extend and upgrade the share market information published in *National Business Review* now that a new programme for compiling the table and working arrangement with the New Zealand Stock Exchange has been developed.

The weekly coverage of trading extends from Friday to Thursday evening each week.

The week

Mosgiel's troubles

TROUBLED Mosgiel Ltd will not be taken out of the red by an injection of Government funds. But Prime Minister Rob Muldoon is trying to gather Cabinet support for a proposal to restructure the woollen milling industry. Meanwhile the company has decided to keep going until June 30 to find offers for the company.

BRIERLEY Investment Ltd began buying shares in New Zealand Insurance Co to lift its holding from 2.5-3 per cent to 10 per cent. It is buying up to 1 million ordinary shares and 300,000 specified preference shares which will cost a total of almost $3.3 million.

IMPROVEMENTS to Wellington Airport for the operation of Boeing 747SP services were approved by the Cabinet. Cost of the work are assessed as $1.85 million, with the Government paying $1.32 million and the Wellington City Corporation $530,000.

THE Government was to reconsider contributing a further grant of $45,000 to the Olympic Committee for sending a team to the Moscow games.

GREYHOUND racing may move into the mainstream of racing events if Government approves plans to legalise off-course betting for greyhound racing and to set up TAB facilities on-course.

ADDITIONAL import licences (valued at $3.5 million) will be allocated as part of the new import licence tendering scheme designed to make the system more flexible. Three more allocations are to follow within two years.

CATHOLIC schools will receive more Government funds totalling $6 million pending their integration into the state system. The Catholic system has a deficit of almost $7 million, not counting capital items.

THE Auckland Electric-Power Board has come through with a net surplus of more than $590,000 for the 1978-79 financial year. This largely resulted from a fall by 11 per cent, in the peak demand for power, pushing down the amount to be paid for bulk power supplies to the Ministry of Energy.

THE jury at the inquest into the death in the Southall riots last year of New Zealand schoolteacher Blair Peach found he died of misadventure.

NATIONAL Party members at the annual conference of the Waikato division passed a remit calling on the Government to review the Human Rights Act and to reconsider the clause which prevents employers from advertising for specific employees.

TWO Marsden power stations in Northland are being considered for fuel conversion from oil to coal as a money-saving measure.

TOP Air New Zealand pilots are seeking a wage increase of about $10,000 to fly Boeing 747s. If they succeed, highest-ranked pilots will earn almost $80,000 a year.

THREE major United States banks pushed down interest rates by as much as 2 percentage points to 14 per cent.

GEORGE Bush has conceded defeat to Ronald Reagan, for the Republican presidential nomination but will remain a candidate technically to qualify for federal campaign matching funds and cut his campaign debts.

NEW Zealand ranked third highest in the world in its fuel-saving ability, according to an International Energy Agency, survey of agency countries. New Zealand recorded a 4.9 per cent drop in fuel consumption last year.

THE completion date of the report of the Commission of Inquiry into the Abbotsford landslip disaster has been extended from May 30 to September 1.

FLETCHER Construction was invited to submit a tender for the completion of the Mangere Bridge.

FORMER Agriculture Minister Colin Moyle will contest the Hunua seat for Labour in 1981.

INDIA has secured a deal to buy $1720 million worth of weapons from the Soviet Union on a 17-year-old credit scheme.

PEOPLE have been advised by Acting Foreign Affairs Minister Duncan MacIntyre to postpone visits to trouble-ridden South Korea until things quieten down.

LOCAL wines did well in an international wine competition run by the Club Oenologique in England, scooping a total of seven gold medals, two silvers, and two bronzes.

PAUL Neazor was appointed Solicitor-General.

The business week

Canterbury Timber Products Ltd reported an audited tax-paid profit of $2,554,000 for the year to March 31. A final dividend of 10 per cent is payable on August 8.

Consolidated Metals Ltd reported an unaudited tax-paid profit of $1,600,000 for the year to March 31 ($1,482,474 last year). A final dividend of 9½ per cent (18 per cent for year) is payable on July 30.

Henry Berry Ltd reported an unaudited tax-paid profit of $1,002,330 for the year to March 31 ($724,586 last year). A final dividend of 7c is proposed.

Lusteroid Holdings (NZ) Ltd reported a tax-paid profit of $529,000 for the year to March 31 ($415,000 last year). A final dividend of 10 per cent is payable on August 15.

Lusteroid Holdings (NZ) Ltd reported a tax-paid profit of $529,000 for the year to March 31 ($415,000 last year). A final dividend of 10 per cent is payable on August 15.

Manawatu Knitting Mills Ltd reported an unaudited tax-paid profit of $148,600 for the six months to April [illegible] ($132,700 same period last year). An interim dividend of 7 per cent is payable on July 10.

NZ Industrial Gases Ltd reported an unaudited tax-paid profit of $1,257,000 for the six months to March 31 ($1,103,000 same period last year). Interim dividends of 2.75 per cent for preference shares and 9 per cent for ordinary shares are payable on June 24.

New Zealand United Corporation Limited reported an audited tax-paid profit of $1,166,000 for the year to March 31, an increase of [illegible] per cent on last year. A final dividend of 17.5c is payable [illegible]

Radio Avon Ltd reported a rounded unaudited tax-paid profit of $199,000 for the year to March 31, 31 per cent down on last year's profit of $288,858. A final dividend of 6.25 is payable on July 7.

Revertex Industries (NZ) Ltd reported an unaudited tax-paid profit of $736,000 for the year to March 31 ($59[illegible] last year). A final dividend [illegible] per cent is payable on July [illegible]

Salmond Industries Ltd reported an unaudited tax-paid profit of $1,120,149 for the year to March 31 ($958,[illegible] last year). A final dividend of 9c is payable on August 1.

South British Insurance Co Ltd has agreed, in principle, to merge its 70 per cent owned subsidiary, Union National South British Insurance Co Ltd, with the Guardian Assurance Co of South Africa Ltd.

TNL Group Ltd reported an unaudited tax-paid profit of $3,714,000 for the six months to March 31 ($3,080,000 same period last year).

Trust fund investigation

From Page 1

pany in which he has a pecuniary interest, that lawyer must tell those clients that he has such an interest and suggest they seek independent advise before investing their money.

The signature of Murfitt's wife, Trish Murfitt, who also signed for the borrowing company Te Totara Farms Ltd, has been questioned. It does not appear to be the same as her signature on other *documents, according to* handwriting experts. This may be explained by emotional stress or other factors.

While Murfitt's trust account is in the hands of the Law Society he otherwise remains in practice as a lawyer.

But negotiations are in train *to have Murfitt's practice* administered by another legal firm, Simpson Coates and Clapshaw, with Murfitt's consent. That move would be made to avoid inconviencing Murfitt's clients.

The Law Society is moving to have Murfitt suspended on an interim basis until its disciplinary committee meets in August.

Such suspensions, made *ex parte* after the Law Society has built a charge, give Murfitt no opportunity to advance a defence at that stage. He could however ask the High Court to set aside such suspension.

The Law Society disciplinary committee would determine at a later hearing whether any disciplinary matter had in fact occurred.

As a sole practitioner, Murfitt has nearly a dozen employees, including two other solicitors. It is a large practice for one principal: other firms of similar size might have two to three principals. Murfitt's firm also has a large trust account for a sole practitioner which adds to the Law Society's difficulties in managing it on an interim basis.

Murfitt, asked last Thursday to comment on the situation, referred *NBR* to an Auckland barrister whom he had instructed in the matter. The barrister told *NBR* that he had been instructed but could not make a statement at any time before this went to press.

NBR understands that Murfitt intends to seek withdrawal of the Law Society action at a special Law Society meeting this week but his explanation of the disputed matters will not be available at least until then.

The week

Canning venture gives Dairy Bd a cutting edge

by Rae Mazengarb

NEW can-making and filling plants in Hamilton and Singapore have allowed the Dairy Board to expand its operations into new markets.

Previously the board has been unable to compete internationally in tinned products.

Industry sources say this has been because of the high prices the board has had to pay AHI for its tins.

Dairy Board officials are not prepared to comment on comparative prices. But they admit that new costings – about 20 per cent lower than previously – have enabled the board to be "competitive".

The Australians traditionally have beaten us on price for canned butter products because of the cost of manufacturing tinned products here. But lately the Australian dairy industry has been declining.

Because of that decline, sources say, the Dairy Board is entering into a canning agreement with Australian interests for canning butter.

Asked if this was so, general manager Bernie Knowles said he had nothing to add to his earlier statement.

He had previously told *NBR* that the board was contemplating increasing its canning operations into canned butter for export.

That would mean building an additional plant, but no final decision had been made.

There was considerable potential for the product in the Middle East, Knowles said.

The new canning plant in Singapore – commissioned last August – has been running full-time since September.

It was set up to handle specialist cans not available in New Zealand on a competitive cost basis, according to trading and subsidiary operations manager, Alistair Betts. These are the 2.5kg cans for dried instant milk powder.

Betts declined to comment on the comparative costs of production in Singapore and the cost of the same operations here.

The Singapore plant has a capacity of 4500 tonnes a year. Four local can manufacturers assist in competitively sourcing the cans, he said.

The canning plant and a branding plant are owned by New Zealand Milk Products Limited, a wholly-owned subsidiary of the Dairy Board.

That company will have achieved a turnover of (Singapore) $50 million this year compared with (Singapore) $10 million in 1976.

The company already has packing and blending facilities and is building a dairy ghee packing plant.

The board had set the facilities up in Singapore because of prohibitive labour and other production costs in New Zealand.

Singapore has the added advantage of being close to our markets in the Middle East, and Singapore has a shipping service which links with most major ports in the Gulf and Middle East region.

Asked about an expansion there into fruit juices, Betts said the board was not involved in them in that part of the world "at this stage", but "anything can happen".

On the question of orange juice production, Knowles said the board itself was not looking at areas such as orange juice, but "it doesn't preclude the sharing of our facilities from time to time".

Alluding to a possible joint venture, Knowles said that such an arrangement would not be entered into by the board as an entrepreneur, but there was a willingness to venture into the field with another party.

He pointed out that the board's production peaked in the last quarter of the year.

If it could find something with a "better fit", there would be a willingness to try to do it.

Asked if the board had had discussions with the Apple and Pear Board, he said no formal discussions had taken place. The board had done no more than "putting feelers out", he said.

He said the board had not yet found a new venture which appealed, but it would be looking at a number of other processing areas, such as freeze drying, and shipping for ways and means of reducing costs through association with others.

Talks on Antarctic air route

AEROLINAS Argentinas and Air New Zealand expect to take their discussions on an Antarctic air route a stage further when the Argentinian President Jorge Videla makes a stopover at Auckland on June 11.

Air New Zealand's interest in the "southern route" – Antarctica is still a dirty word in its Queen Street headquarters – has been stirred by the Argentinians, who want to use Auckland as a staging point to South-east Asia.

Videla will be arriving from a state visit to China on his way home, but Aerolinas Argentina's interest is in flights from Buenos Aires to Tokyo via Hong Kong and/or Manila.

The Argentinians first mooted the Antarctic route in a meeting with Air New Zealand chief executive Morrie Davis last year as an alternative to the route flown by Braniff from Hong Kong to Buenos Aires via Los Angeles.

Air New Zealand planners are hesitant about forecasting when services might begin. A suitable bilateral agreement containing the now thorny problem of fifth freedom rights, necessary for multi-destination flights, first must be worked out.

But exporters are becoming interested in South America. Argentina is richer in natural resources than Australia, and Brazil has the eighth largest economy in the world.

The week

Federation raises eyebrows on move south

A SELF-STYLED "collective voice" for small businesses, which has been causing concern is some Wellington circles, last week came under the critical eye of Christchurch businessmen.

The New Zealand Business Federation (Inc) was set up late last year by the partners of a financial management consultancy – A C Van Rooyen, Holsheimer and Associates.

Based in Wellington, the federation is planning to set up an office in Christchurch. And last week, the Christchurch *Press* focussed on what its critics – including the New Zealand Chambers of Commerce and Government-funded Small Business Agency – have been saying.

One of the partners in the consultancy is Carl Van Rooyen, described by the federation as "a young forward-thinking accountancy graduate with a flair for small business problems . . ."

But the federation's promotion brochure does not say that Van Rooyen is not a member of the New Zealand Society of Accountants (and therefore not bound by the ethics of that group).

The other principal and chairman of the federation is Erik Holsheimer, described in the same brochure as "a small business proprietor who knows intimately the problems of small businesses".

Holsheimer in fact was forced to close down one company – E H Construction – because of "the increasingly difficult market place and financial difficulties", as he explained to Wellington's *Evening Post* last November 29.

Between 1976 and 1979, he or his company had five magisterial judgments recorded against him: the Evening Post ($53), Cullen and Critchley ($292), Doughty Merchants ($332), Display Promotions ($60) and Bryce Francis ($46).

Holsheimer is confident he can offer advice to small businesses. He recently told a reporter that he was "just as qualified" to do so as anyone else."

There has been concern that the federation was being operated by the principals of a financial management consultancy.

Holsheimer told the reporter the consultancy had provided some accountancy help for small businesses for which it made a charge.

The first consultation, he said, was free and "we (the federation) have not charged anybody a cent yet".

"We are no longer in the consultancy. Some important people think it was not compatible.

"In future it will be done under the federation's name: it legitimises the federation more to do it that way," he said.

The federation is running well behind on budgeted income from membership fees which have been set at $45 a year. At the inaugural meeting late last year, the principals budgeted for a programme of five members a day over 50 weeks, aiming for 1250 members in the first year. This would provide subscription income of $56,250.

After five months membership was still less than 200.

The federation budgeted for an income of $32,000 from "self-improvement courses", which started in March. Participants pay $160 for the four-session, month-long course and at the end of the course are presented with a "Foundation of Commerce Certificate".

The course and certificate have no backing or authority from any official educational institution. Holsheimer said the course material was compiled from information gathered in the United States and from his personal knowledge and experience.

The publication of the federation's first newsletter (*"Endeavour. The Collective Voice of Small Business Throughout New Zealand"*) raised eyebrows and ire. The federation had promised a 40-page, full-colour magazine. What was produced was an eight-page one-colour newsletter similiar in style to most newsletters published by trade groups and companies. It costs $18 on subscription rate for non-federation members.

The newsletter carried front page acknowledgements of a number of organisations and people "who have given us the zeal necessary for the success of the establishment of the federation".

Included were the Small Business Agency, the New Zealand Chamber of Commerce, the Minister of Trade and Industry and the mayors of Wellington and Lower Hutt.

At least one of the people named has considered taking legal action against the federation because of the implication that he and his organisation supported the federation. He said he was concerned about the federation's activities and described the unauthorised use of his name as "blatant", "brazen" and "unbelievable".

Equally remarkable is the acknowledgement to the New Zealand Chambers of Commerce.

When Holsheimer announced his intention of setting up the federation, he described the chambers' small business groups to the *Evening Post* as "a silent, almost totally unknown, elitist and conventional clique".

The organisation is known to be angry at the acknowledgement by the federation. Given Holsheimer's stated view on aspects of the Chambers, it seems unusual that the federation would wish to link itself with them.

A Small Business Agency spokesman also commented that "the agency has a policy of not publicly endorsing any outside service".

Holsheimer realised that the implication of support could be read into the list of acknowledgements but insisted "that is not how it was meant".

He said, "we were just trying to say thank you for giving us the necessary get up and go and felt this was a nice way of doing it", and added: "We are not a rat-bag outfit. I'm sure that is what some thought. We are not here to get rich overnight. We are here to help in an area where we know the need is very, very great."

DSIR strides into the electronics survey act

THE DSIR has commissioned private consultants, McDermott Associates, to conduct a nationwide survey of the electronics industry.

The survey of over 500 companies is aimed at finding how best to apply fast-moving technology, such as microprocessors, to this country's future industrial growth.

The study will gauge factors such as products made, markets, what components are locally made or imported, labour requirements and future manufacturing trends.

Bevin Cornwall, deputy director of the DSIR's Industrial Development Division said: "Because the electronics field is moving so rapidly it could take five to 10 years to train workers to handle the highly skilled and specialised work unless the trends were identified as soon as possible.

"This time lag in matching dynamic industry with skilled labour could have serious consequences for all facets of New Zealand industry – manufacturing, exporting or even the processing of our biggest export earner – agricultural produce".

The DSIR is keen to see smaller local companies employing 20 or fewer workers taking part in the survey.

This survey is supposed to key in with a survey of manufacturing, started last week by George Stuart.

The Stuart report, sections of which were leaked to the media, outraged the Manufacturers Federation as it compared local manufacturers unfavourably with manufacturers in other countries.

The Stuart report is now with Science Minister Bill Birch and due for public release soon.

The Manufacturers Federation completed its own study on the electronics industry a few weeks ago.

The Trade and Industry Department is also doing a study of the radio and TV industry which will cover component manufacturers and suppliers.

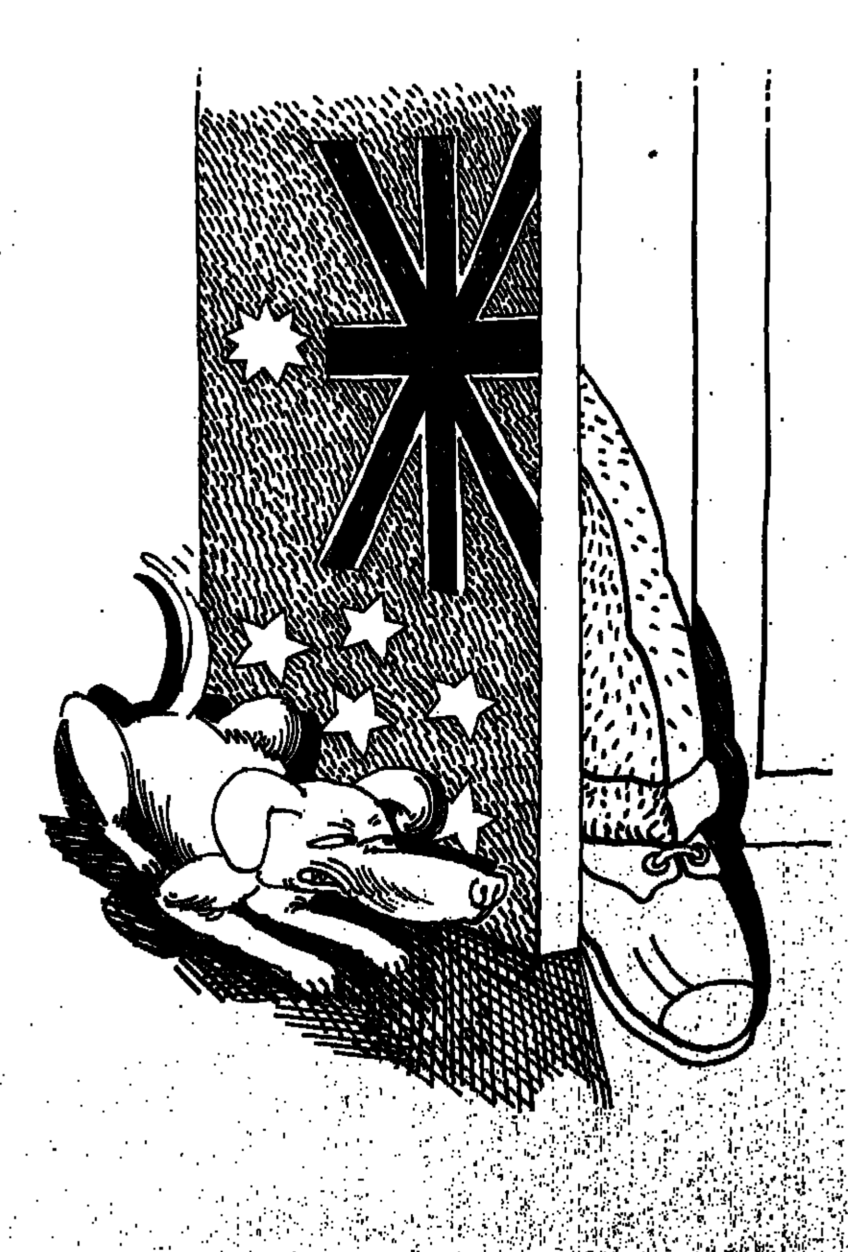
Not to be left out, the Development Finance Corporation's Applied Technology Programme section did its own survey on behalf of the National Electronics Development Association.

The DFC study of 688 companies (35 per cent response rate) tried to ascertain if there was a demand for an electronic equipment hiring organisation.

The results of this survey have yet to be finalised but preliminary results indicate a demand for such a service. It is likely that the DFC will finance a private company into the establishment of a electronic equipment hire pool.

Little or no effort appears to have been made to co-ordinate these various studies.

If not the biggest growth area in New Zealand's future, the electronics industry promises to be the most studied.



Editorial

THE Opposition wanted to eat its cake and have it, too, last week. On one hand it condemned the tax incentives that are encouraging major exporters; on the other it was shrieking for a Government bale-out of Mosgiel, which had been enjoying the benefits of those same incentives – plus other Government assistance – but which nevertheless had lost $4 million in just 10 months.

On the Mosgiel front, of course, the Government faces politically sensitive problems in a region short of employment opportunities – unless it presses ahead with its questionable notions of industries based on nearby hydro-electricity. With 1200 workers jobless, those projects are bound to become more attractive to those who are now skeptical.

Mosgiel Ltd debenture holders have agreed unanimously that the company should remain in business till June 30, while the receivers look for "realistic offers" for the company. They are obviously hoping that other companies will come to the rescue in a restructuring of the Mosgiel group.

The Government's attitude to the funding of a textile industry restructuring is fundamental to any rescue proposals, and to the selling off of parts of the Mosgiel company to other textile operators. Whether the $5 million fund is big enough is a moot point.

But what happened to Mosgiel? The Prime Minister has blamed poor management. But the management has said it made its decisions in the expectations the economy would improve. Thus the management was under-pricing its products – and failing to cover costs – because it paid too much heed to Muldoonian optimism about his Government's capacity to improve the country's economic lot.

Mosgiel has blamed the Bank of New Zealand for its decision to go into receivership (when the bank refused to continue the company's normal overdraft facilities). But the directors have been curiously quiet since then, as the extent of the company's troubles have been made public.

Where $4 million has gone in just 10 months has not been adequately explained. Mosgiel has had the benefits of regional development advances and export tax incentives (without which presumably it would have run into trouble years ago). It also enjoyed a $2 million DFC loan at favourable rates of interest. And the company, it can be argued, should have anticipated the economic downturn which brought its undoing, and over the years broadened its home base.

Mosgiel has been totally reliant on wool. Its three basic processes are spinning, weaving and knitting. When wool prices increased, it was good news for the economy generally, but bad for Mosgiel. Wool prices raised the cost of the product at a time when inflation reduced the discretionary spending power of the consumer.

Operating costs also increased, naturally, as inflation continued to defy the Government's efforts initially to bring it to single-digit levels, and later to hold it at less politically embarrassing levels than 18 per cent.

There has been a heavy dependence on the competitive hand-knit market, garments, blankets and rugs, and it was fighting in the fickle and fiercely competitive fashion market. It is also involved in industrial furnishings and industrial work clothing.

While the bulk of those products have traditionally been sold in New Zealand, exports were fast increasing. In the year ended June 30 1979, $1.2 million of total sales of $28.5 million went overseas. That was 82 per cent more than in 1978. Export sales were up 60 per cent from $525,000 to $842,000 for the half-year to December 31. So the company obviously was banking on the export boom to keep it going while it took a hiding on the home front.

But Mosgiel has been operating on a fine line betwen profitability and disaster. For the year to June 30 1978, the company recorded a profit of $1.17 million. A year later, that profit had dropped to $887,000. In the six months to December 31, sales of $12.1 million fell 1 per cent from the previous six months and the company recorded a loss of $1.5 million. The report for the half-year to December 31 tells of intense competition locally – at times below economic level. By then, retrenchment steps were being taken.

Muldoon has bluntly endorsed private-enterprise attitudes: "When you go into business you take a risk and sometimes you lose your money because you have not been able to trade profitably. This company simply has not traded profitably." And the Government should have no responsibility to investors, who have taken a risk that has not paid off. But what about the 1200 employees who have been walloped on all fronts? Between one third and one half of Mosgiel workers are shareholders in the company. Staff hold some 22 per cent of the total ordinary shareholding. Their investment has been almost wiped out by a share value plunge to 20c. On top of that is the company's $4 million loss, and various secured creditors are owed some $15 million. That will leave almost nothing for the shareholders.

The employees have contributed to the company's – and the nation's – export drive not only through their shareholding, but also through their manpower and their taxes. They have generated export income and their reward should not be unemployment.

The public, too, has a stake both directly – though DFC loans – and indirectly (through tax incentives, regional development investments and so on). The Government could step in on the grounds that the public already has ploughed a heavy investment into Mosgiel's operations and is entitled to see its investment recouped.

Regional Minister Warren Cooper has talked vaguely of a "resettlement scheme" being approved in principle by the Cabinet. If restructuring follows the lines of the Industries Development Commission report, some textile industries in rural and provincials inevitably will be closed, making necessary the relocation of skilled workers in other areas. Cabinet has agreed to help finance the relocation of workers and perhaps retraining into other fields. But Cooper could not say last week if that help would apply in the case of the Mosgiel company's worker force. They may be in for a shabby deal. But if the Government wants to restructure the economy, and the cost is job displacement, it is obliged to come up with separate schemes to minimise unemployment.

— Bob Edlin

Without word of a lie

Fitter, thicker — or just blank?

IF nothing else, Colin Moyle certainly does have a rare capacity to invite public speculation.

With the aid of the news media, he has done it again in announcing a somewhat masochistic ambition to return to the same Parliamentary ring where he went down to a knockout blow from counterpuncher Muldoon in 1977.

The papers made clear that Moyle has been in training for his return match. Now 50, he has been planning and developing a 186-hectare sheep and cattle block near Keri Keri.

But the mystery comes with the next bit of the story which emanated from the Press Association in Auckland.

"'I am a little older but fitter,' said a pleased Mr Moyle," according to the *New Zealand Herald*.

"'I am a little older but thicker,' said a pleased Mr Moyle," according to the *Christchurch Press*.

"'I am a little older but ,' said a pleased Mr Moyle," according to the *Evening Post*. (where someone had obviously chiselled out the last word of the quote for reasons best known to the editor).

So readers can take their pick – and we wouldn't be surprised if their choice coincided broadly with their political affiliations.

Tru-Test turns publicity-shy

MANY companies, when they strike success in the export field, skite about it long and loud. After all, as the Government pushes exporting the good exporter is becoming something of a 1980 folk hero.

But Tru-Test Distributors, a company with a sound reputation in exporting, has suddenly turned publicity-shy.

Two weeks ago, Tru-Test sent out a press release announcing the departure of $250,000 of its milk meters to West Germany – Tru-Test's biggest-ever export order, and (one might add) to a very discerning market.

Accompanying the press release was a large photo of the milk meters being loaded on the plane in Auckland.

But last week *NBR* got a call from Tru-Test withdrawing the press release. Seems someone gave more details than the company wanted published.

There was some mention of the possibility of Tru-Test looking too much like a prime target for a takeover.

On the mat for editing error

POLITICIANS needn't feel lonely when some journalist misquotes them. Much maligned journalists also have their problems.

Sometimes they get their copy hot off the press to find their by-line on a story saying exactly the opposite from what they intended to say.

The niggers in the wood pile are word-mincing editors and sub editors, reporters will always complain.

Such was the case with last week's story in *NBR* on synthetic carpet. The story as written by our Auckland journalist said that if our carpet manufacturers turned some of their efforts towards manufacturing synthetic carpets, it would divert the industry's attention to styling wool carpet for exports, an area in which New Zealand has real strength. Following that was a quotation from a marketing expert saying the introduction of synthetics on the local market would set the industry back 10 years so far as styling for export was concerned.

In the editing, the text should have been tidied up to state that the industry's attention would be diverted *from* styling wool carpets for export. Instead, it said if our carpet manufacturers turned some of their efforts toward manufacturing synthetic carpet for the local market they could concentrate on styling wool carpet for the export market. And so the expert marketing opinion sought for the original story wound up on the cutting room floor.

Our Auckland journalist is slinking about redfaced, avoiding pubs where carpet industry contacts might lurk ready to rubbish him.

Required reading via red tape

GETTING a subscription to the *National Business Review* is easy unless you happen to be a Government department based 400 miles from the locus of power in Wellington.

Seems a senior civil-servant, based in Auckland, with a professional interest in commercial goings-on thought *NBR* was required reading. So he asked his department to subscribe.

A requisition form for the $25 sub went from the accountant to the man requesting the sub, then to his boss in Auckland, then to Wellington, head of department, and above.

We understand the requisition was signed, after some months, before reaching Treasury, but only after four full reports had been written.

Barrel sights adjustment

CONGRATULATIONS to Energy Dynamo Bill Birch and his bright bunch of advisers.

They predicted that a barrel of Saudi Arabian light would reach $28 a barrel (and proceeded to use that figure for planning purposes as they eagerly buried themselves in the pros and cons of the methanol and synthetic petrol business).

And sure enough, a barrel of Saudi Arabian Light has reached $28 a barrel, just as those obviously brilliant bureaucrats said it would. And in greater than double quick time, too.

The Birch Brigade, as it put together our energy strategy for the 1980s, nutted out that a barrel of Saudi Arabian crude would hit $28 by 1985. It got there sooner – before May 1980, in fact. Indeed, on the spot market, it went beyond $35 a barrel several weeks ago.

Back to the drawing board, boys? Or have we gone beyond the point of no return in committing multi-million-dollar piles of tax moneys to projects based on bureaucratic baloney?

How ratepayers are being hounded

BELEAGURED Auckland ratepayers awaiting the Auckland City Council's 1980 annual report – out this week – will find the city has gone to the dogs.

The dog registration and animal pounds payments was in deficit, and the cost of administering the city's canine pets was $121,526. Receipts totalled $89,794.

The trafic department, whose parking meter blitzes are driving the public into the suburbs away from parking fines, also failed to justify itself financially. The cost of enforcement, including wages, uniforms, and so on, was about $1.9 million, to collect fines of only about $1 million.

One less cross to bear

RADIO New Zealand news executive Dave Baumfield had been one of those on the shortlist for the editorship of the *Listener*, we hear. But a few days before Peter Stewart's appointment was announced, Baumfield withdrew his application, according to the (not-always-reliable) journalistic grapevine.

Whatever Baumfield's reasons for opting out of the race for the job, it must have made matters easier for chairman Ian Cross. Like television news chief Bruce Crossan, Baumfield is a long-time buddy of Cross. And his appointment inevitably would have drawn more flak from the Labour Party which has been sniping at both Crossan's appointment and the transfer of television news headquarters to Auckland to help accommodate the appointee's desire to continue living there.

A lift for Stevens-Bremner

STEVENS-Bremner, as we all know, has $6 million tied up in a Millitron jet-dying machine whose enormous production capacity has never been fully utilised.

Thus Stevens-Bremner wants to make synthetic carpet to boost the machine's output – if the Government will permit such a departure for an industry which traditionally has excelled in woollen carpet manufacture.

Stevens-Bremner's concern to switch to synthetics, its competitors will claim, stems from its flagging fortunes in recent years. But if the company might be having problems, their severity has only just been brought home to us with this news from an acquaintance:

Seems he was travelling in an elevator the other day when, surprise, surprise, the emergency phone rang. He dutifully answered, to be told this was tolls calling Stevens-Bremner.

We forgot to ask if the elevator was going up or down at the time.

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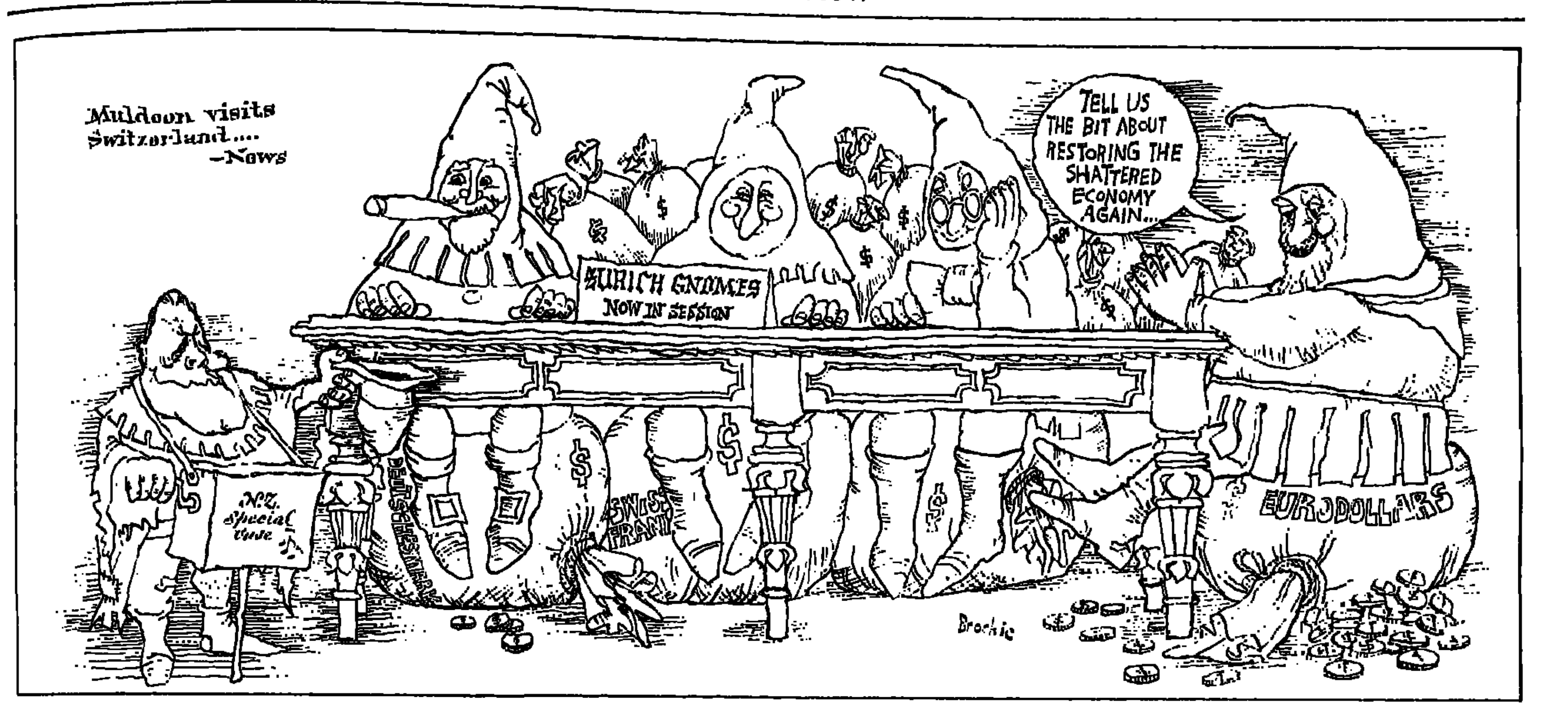


Meat industry delicensing threatens farmers

by Barney Sundstrum

THE economic effects of the Government's move towards delicensing the meat industry will be detrimental to farmers, and certainly not beneficial.

Farmers may face a 15 per cent increase in processing charges directly as a result of the legislation.

The situation is the same throughout New Zealand, but a study of the industry in the southern North Island rams the point home.

The area has a daily slaughtering capacity of 91 200, and the total kill in the region will be almost 7,800,000.

This gives an average day's loading (the total kill divided by maximum daily capacity) of about 85.

Should de-licensing go ahead, it is probable that additional killing chains at Oringi, Longburn and Takapau will provide for increased slaughtering facilities of 19,200 daily. So we'll be looking at a 21.05 per cent increase in daily capacity.

Given the same number of animals to kill, this would reduce the days loading to 70.65 in an industry which accepts 100 days loading as a minimum desirable level.

About 50 per cent of freezing works costs are fixed, or semi-fixed.

To recover these costs on the reduced days loading would necessitate a 15 per cent increase in processing charges. This is a fact, so it's frustrating watching farmers fight for a cause which will cost them dearly.

The select committee on lands and agriculture, which is hearing submissions on de-licencing, is expected to report back to Parliament late this month.

While the factions in favour of de-licensing have been vocal with their arguments, established companies have restricted their activities to submissions to the select committee. But now is the time to stand up and be counted. Now is the time to ram home to farmers that all in the legislation is not sweetness and light.

There is the very real threat of a fall-off in capacity if new, smaller, works start up.

One major operator has told the committee that if de-licensing is introduced, it will have to drop capacity to a level which will raise its day's loading to an economic level. This would mean an end to the massive slaughtering capacity which farmers can utilise in times of drought.

This drop in capacity will have a further detrimental effect. Farmers will reduce their herds to a level where they won't be vulnerable in adverse climatic conditions. So we could well see a depletion in the national herd.

In addition to the cost disadvantages of the scheme, I am critical of the "naivety" of thought behind the legislation.

New entrants will contribute nothing to New Zealand's sheep and lamb processing industry, which is already considered to be a world leader in its field.

The freezing industry is simply the whipping boy for the National Party private enterprise movement, and the Government is not even being consistent in its application of private enterprise principles. The bill will see the retention of an "open door" policy which former New Zealand Meat Producers Board chairman Charles Hilgendorf himself acknowledged was inequitable.

This legislation is not going to impose the principles of private enterprise on the total meat industry. A large part of the industry is influenced by factors beyond control of New Zealand enterprise. Tariff barriers, counter-cyclical beef proposals, the EEC sheepmeat regime are classical examples of exceptions to classic private enterprise principles . . and these from the so-called bastions of the principle.

A private enterprise New Zealand meat industry can not be insulated from these controls and has to be examined in the light of them.

When you look at the total meat industry here, it is clear that the freezing industry is not the only part which is controlled. The farmer is largely conditioned to a controlled system which sees a compulsory deduction made on all export stock to go to the Meat Producers' Board.

Then, we are forced to ship through the Conference lines.

The farmers accept a minimum price scheme – surely against free-enterprise principles – and the stock retention scheme.

It is hard to understand the importance being placed on imposing private enterprise principles on just one link of the industry's chain.

Companies are not going to authorise vast sums of capital expenditure when the threat of de-licencing and the possibility of other works being erected in their water-shed area hangs over their heads.

Only three years ago companies were encouraged to spend millions of dollars on hygiene. Between 1971 and 1979 companies spent $268 million, and there is still $114 million to be spent.

This expenditure was made on the understanding that companies were operating in a stable industry. But now the Government has done an about-face.

The Manufacturers Council recently pointed to sudden changes in legislation as one of the major factors in a decline in real investment resulting from a lack of confidence. That must apply to the $114 million yet to be spent.

Across the Tasman, the Meat Industry Authority for New South Wales was preceded by the New South Wales Committee on Stock Slaughtering Facilities, which recommended:

- That the uncontrolled construction of further abattoirs, or the over-expansion of existing works, would represent an unnecessary expenditure of public and/or private funds, which could threaten the economic stability of both public and private works:
- That the Government should assume powers which will enable it to take all reasonable steps to ensure that the existing slaughtering industry is not damaged by over-expansion of capacity or by the establishment of new works in areas where they will conflict or considerable overlap existing works.

The meat industry needs a stable legislative base if its participants are to move forward with any confidence.

The change in legislation only three years after the formation of the Meat Industry Authority seems to be hard on those companies who invested a lot of money on the basis of that legislation.

The viability of the Takapau works, for instance, which was proceeded with on the basis of its approval from the MIA must be undermined by the erection of an additional plant not 40 kilometres away.

It is acknowledged that further processing may provide additional jobs in the future, but that is cold comfort to those who stand to lose their jobs now.

Increased uncertainty and shorter seasons can do nothing for national industrial harmony. It may be private enterprise – but is it justice?

Barney Sundstrum is general manager of the Gear Meat Company

Letters

Farm alcohol production

WE thank Mr J V White for his comments (*NBR*, April 28) on our article "Future fuel's success depends on waste crops" (*NBR*, March 31).

In reply to his comment that agricultural waste is too small to be of much use for alcohol production, we feel this may have been encouraged by the title of our article, which was changed unbeknown to us. The original title was "Why have an energy crisis?"

The emphasis of our article was in fact on surplus crops, though we had in mind also that sometimes potatoes and other crops are destroyed or dumped.

Contrary to Mr White, Georg Borgstrom – a world authority in this field – recently stated at the ANZAAS conference in Auckland: "Wastages of food and feed or direct spoilage . . . have reached staggering proportions. Thirty-50 per cent is lost . . . such losses are almost equally crucial in the affluent and developing world". It would be surprising if these wastages did not occur in New Zealand.

The opportunity cost factor mentioned by White would help in deciding how best to spend money on the development of resources to provide liquid fuel if the matters involved were precisely known.

However it becomes difficult to apply in what is almost a gambling situation involving oil and gas exploration or new synthetic processes such as the Mobil conversion of methanol to gasoline.

In addition it is not readily applicable to evaluating regional development or population movement in which aesthetic and social values may dominate.

The social value of having fuel oil partly dependent on the farmer instead of totally in the hands of large enterprises should not be overlooked.

We are familiar with the Lincoln College economic study on growing crops for processing to ethanol supposedly in distillation plants of $5 - 40 million litres/year capacity utilising a continuous fermentation process applied to starch – containing raw materials such as fodder-beet, potatoes, grain etc. Development of such plant should be encouraged now to produce 10 per cent alcohol – gasoline blend or gasohol.

Small-scale batch distillation plants (75,000 litre/year) for individual farms or groups of farmers have already been found economic in the United States. The residue provides food material for diversification into poultry and pig production.

We note Mr White's comments on the moral issues of using grain for alcohol production in competition with its use for food.

We would point out that much of the world's food resources are already wasted. Cattle production in the United States, according to Borgstrom involves the consumption of wheat and corn in amounts that would feed the whole of China. This has resulted in doubling the per capita meat consumption in the United States during the past 50 years. Many consider this excessive intake is implicated in the incidence of the Western type diseases, including coronary heart disease.

We hope in a future article to develop this theme and to touch on other points raised by Mr White.

Dr F B Shorland
Biochemistry Department

Dr A M Taylor
Chemistry Department
Victoria University of Wellington

Arbitration adequate

I TAKE issue with Mr Ogilvie's assertion (*NBR*, May 5) that the Government provides a disincentive to unions to use the Arbitration Court by not supplying it with adequate resources.

It will be recalled that in 1978 the resources available to the arbitration system were considerably expanded. The newly constituted Arbitration Court was provided with a complement of three Judges and two sets of nominated members – a considerable improvement on the previous position.

While the Court operated at full capacity, its programme of work was very good and in terms of throughput there was every incentive to use the Court.

Mr Ogilvie's comments relate to a period in which the Court, for unavoidable reasons, operated at considerably less than full capacity.

The retirement of the Chief Judge and the unfortunate illness of one of the remaining judges directly contributed to the delays Mr Ogilvie describes.

The recent appointment of an additional judge will no doubt be reflected in some considerable improvement in the Court's throughput.

In short, I do not accept that the very particular experiences of Mr Ogilvie in any way alters the validity of my general observation that there is a need for a stronger commitment amongst unions to use the arbitration system.

Jim Bolger
Minister of Labour

Which of the two hats fit?

THAT you should print the address by the Minister of Forests to Tawa Jaycees (*NBR* May 19) is, I guess, fair enough.

That the Minister should, in the midst of his enthusiastic description of New Zealand's exotic forest potential, criticise those environmentalists well enough informed to disagree with him is also fair comment I suppose.

But that we will never see an equally well expressed case put by a determined Minister for the Environment is bad news for New Zealand.

It is not so much that he wears two hats but more that he so often finds that only one will fit.

Grahame Anderson
Wellington

Philosophy pragmatics

RE: "Philosophy of Science in Accounting" (*NBR*, May 12).

I expect most academic accountants will have been very interested to read your review of the work done in this area, however I am sure you will find that the work you have quoted will have been authored by Michael J Gaffikin, not Michael J Aitken. Gaffikin has specialised in accounting theory and history and did move to Sydney a year or so ago.

C R Hasseldine
Senior Lecturer in Accountancy
Head of Department
Otago University

THE paper states clearly it is by "Michael J Aitken". Professor Hines says Aitken moved to Sydney this year. – Editor.

Politics

For so are they all, all honourable men

by Colin James

IN the days when cricket was cricket, a gentleman did not wait to be given out by the umpire. If he snicked a ball and it was caught, he set off for the pavilion.

A "player", on the other hand, being in it for the money, might well pretend not to have snicked the ball in the hope that the umpire might let him stay.

Now everybody seems to be a player. Nobody "walks" any more.

So it is in politics. When did a politician last honourably retire from the arena on a point of principle or because his department fell down on its job.

In 1933, to be precise. W Downie Stewart, then Minister of Finance, resigned in disagreement with the decision to devalue.

Did the electoral roll mess in 1977-78 prompt a ministerial departure? Not on your nelly.

Taking a grander example, did Jimmy Carter, mastermind of the Iran hostage helicopter coup, put his job on the line? Of course not.

(Though, of course, Carter's motives may have been purely the public interest – to save the nation from an even worse fate than himself: Vice-President Mondale.)

So the weight of precedent and example in these unheroic days of the political professional should have left no one in any doubt that Barry Brill and Winston Peters would flick aside thoughts of resignation in the wake of the Court of Appeal's declaration that:

". . . a returning officer must not reject a ballot paper as informal . . . unless that paper does not clearly indicate the candidate for whom the voter desired to vote."

Whatever doubts there may be about the legal rigorousness of that judgment, it is politically admirable in that it is founded on a desire for as wide a franchise as possible.

It contrasts with the narrow interpretation of the Hunua electoral court as to how much leniency should be allowed voters in the way they mark their performance on the ballot paper.

Had the judgment been in force at the time that court sat, many more votes would have been allowed, probably favouring Labour and perhaps putting Malcolm Douglas and Margaret Shields in Parliament in Peters' and Brill's place.

In jumped the Labour MPs. Resign, Brill, resign, Peters, they chorussed, and test yourselves in a by-election.

David Lange, master of laws, said both were elected "by virtue of interpretations of law which have now been overruled."

Since legally there is no doubt of the two Nationalists' right to their seats, Labour fell back on notions of honour and morality.

Lange said their resignations were not a question of honesty, but one of "whether they can be an effective member lacking a clear moral mandate".

So those two National beneficiaries of the narrow Hunua court interpretation, are they dishonourable scoundrels hanging on to their seats on legal technicalities?

No, said Brill, master of laws. Even if the Appeal Court ruling had applied in 1978, Brill said, he would still have been elected.

Peters, bachelor of laws, said enough votes were disallowed for other breaches of the electoral law to ensure his election.

To their aid came Attorney-General Jim McLay, bachelor of laws, who told the Appeal Court judges (five of the most eminent legal minds in the country, in towering unanimity) that they were wrong. Hints from McLay of changes in the law.

Which brought Geoffrey Palmer, former professor of laws, out in a hot rash of indignation:

McLay's disagreement with the Appeal Court was "a politically self-serving statement which ought not to have been made by the chief law officer of the Crown. The Attorney-General is bound to uphold the law."

By now we are into the realm of legal wordgames and I want to stay in the realm of politics. (For a legal assessment, read the analysis by Jack Hodder, master of laws, on page 24.)

The political point about the decision (as it affects the morality of Brill's and Peters' unsporting untransigence) is that there is legal doubt (and not just by National Party lawyers) that the Appeal Court ruling would have reversed the Hunua and Kapiti results.

This doubt centres on how an electoral court would have applied the Appeal Court ruling to ballot papers in which the party was designated but not the candidate.

The Electoral Act is so framed as to preserve the archaic fiction that the person is more important than the party, whereas nowadays the reverse is overwhelmingly the case.

The only reference to "party" in the Act is as an elucidation of candidate to be included on the voting paper. "Party" does not share equal status with candidate.

Thus there is doubt that an electoral court would necessarily have found that *party* designation amounted to a clear intention by the voter to choose a *candidate*.

Since in Kapiti and Hunua most of the votes disputed on grounds of irregularities in the way they were marked were party designation votes, it is not conclusive that "morally" Brill and Peters are not entitled to their seats.

But if there is doubt, is not the honourable course to put that doubt to rest by a sportingly testing voters' feelings in a by-election?

Yes, if by honour one means chivalrous sportsmanship, the nineteenth century "gentleman's" gallant departure from the wicket. No, if one means abiding by the umpire's rulings, even if the action replay shows he was wrong.

By-elections normally go against the Government.

That theory will be tested in Onehunga on Saturday. Nationalists are claiming substantial Labour defections in protest at the "imposition" of Fred Gerbic as Labour candidate.

Labourites are claiming remarkable support in their canvassing.

Since I have not had the chance to see for myself, I cannot make any predictions.

But any move toward National would be a turnup for the books. It is rare for a Government to do well in a by-election.

Thus the sporting odds would be stacked against Brill and Peters.

They would not be nobly rerunning the 1978 race to earn personal endorsement. They would probably be committing suicide in a race between parties. And there is reason to take the second view.

Barry Brill . . . sticking to his seat

Labour has just underlined the party nature of such a race by rejecting Douglas as Hunua candidate for next time in favour of Colin Moyle. So there is no chance of justice being done to candidate Douglas.

It is thus more appropriate to look for electoral justice, or honour, in the relative positions of the two parties.

Those positions would not change if Hunua and Kapiti changed sides. Labour would gain through the addition of two more MPs to its ranks, but it would still be the Opposition. Since the people in elections choose Governments, a switch of two seats without changing the Government would not mean much.

Of course, if Hunua and Kapiti were the sum total of the Government's majority, doubts about the moral legitimacy of its right to those seats would make a strong moral case for a general election.

Deciding whether to call a general election in such circumstances would be a real test of political honourableness. And, from past experience, it is likely no Government would pass that test.

Power is an aphrodisiac of great potency – and aphrodisiacs and morality are uneasy bedfellows.

You may recall that early last month the Labour Party yelped indignantly when it woke up to the fact that the Onehunga by-election roll was closing unadvertised and that an estimated 1500 qualified elector might thereby fail to get themselves on the roll.

Strictly speaking, enrolment is up to the voter. But in a society that thinks, naively perhaps, that voting is a democratic cornerstone of the method of selecting a Government, surely all those involved in politics have an interest in ensuring as many people are qualified to vote as possible.

Not everybody agrees. I recently heard some senior National Party officers gloating over the Labour Party's slow-wittedness – gloating because those who most need reminding about electoral rights and privileges generally favour Labour if they vote and their omission from the roll would therefore help National's chances.

I am not the only person who thinks the prescribed voting method – striking out the names of candidates one does not wish for (a double negative) – is a confusing, potentially disenfranchising (to the low-educated) and silly way to elect people to Parliament. Far better to vote positively with a tick or cross.

But there are times – and they are not confined to the National Party – when striking out seems a particularly appropriate way to elect MPs.

That way, in a sense, one does not vote for an MP, but against his/her rivals. Honour is preserved.

The fall and rise of the economy

Economics Correspondent

INFORMATION released the other day puts paid to any ideas that the economy is being brought under control.

There is some good news. Food price rises seem to have peaked at just over 25 per cent and are now running at just over 20 per cent a year. Unemployment has remained at just under 50,000 for eight months and the net outflow of migrants has slowed down to around 20,000 people a year. Government departments managed to keep within their spending guidelines last budget year.

But these statistics are cold comfort when consumer prices and producers input prices continue to spiral upward and the overseas deficit shows signs of worsening beyond the record levels of 1975/76.

And indications are that even the good news may turn into bad later in the year when food prices and unemployment will resume an upward climb.

With unemployment on the increase again, the Government may be required to increase its spending and the size of its deficit before borrowing. Only outward migration may continue to trickle down, but this is because so many have already left the country.

Input price rises are recorded by the Statistics Department general price index. These are prices paid by producers for purchased goods and services, excluding labour.

This year, input prices rose by 25 per cent compared with a rise of just over 12 per cent in March year 1979.

Prices rose most sharply at over 58 per cent in chemical, petroleum and plastics industries. A major contribution to these rises was the rise in the price of crude oil. Input prices for the electricity, gas and water industries rose by nearly 51 per cent last year.

The lowest input price increases were reported by textiles, apparel and leather industries at just over 17 per cent. Input prices for insurance and finance also rose less rapidly than in other industries at 18.5 per cent.

Available information suggests that output prices have shown a marked tendency to rise less than those for inputs. But it seems likely that industries will expect to recoup their input price rises sometime in the near future, pushing output prices up and shoving consumer prices.

More depressing is the news of a marked turn-around in the balance of payments deficit.

The Statistics Department preliminary estimate puts the balance of payments deficit at $987 million for the March year. This is more than twice the size of the deficit in the year before.

The Prime Minister deflected criticism by claiming that balance of payments (BOP) data are not a particularly good indicator of our overseas position. He and his economists prefer the overseas exchange transactions (OET) data.

It is usual for the BOP deficits to put the economy in a less favourable light than the OET figures when the absolute size of the deficits are compared.

As measured by OET figures, the overseas current account deficit was just less than $500 million for the March year. But even this figure represented a worsening of our overseas situation.

The OET figures are based on Reserve Bank records of transactions involving flows of foreign exchange, that is, money transactions rather than exchanges of goods and services. In the past, the difference between OET and BOP figures has never been more than $250 million. The difference of over $500 million in the 1979/80 financial year is explained by the dramatic increase in imported goods. Payments for imports rose more slowly.

The value of imports as recorded for BOP purposes roses by 41 per cent whereas payments for imports as measured by OET data rose by only 30 per cent. This indicates that there has been a lengthening in the terms of credit for imports and that our importers are relying more on credit provided from overseas.

As Chart C shows, trends in the OET series have been similar to those in the BOP series in past years. It is likely that the OET deficit will worsen substantially later this year. Then the Prime Minister may have to invent another "more accurate" series of overseas account data.

But this nit picking over figures obscures the main issues. The terms of trade (the relationship between import and export prices) have been more favourable over the last year or so than they have been for some time. Normally, this would have provided strong impetus for our overseas balance (no matter how measured) to improve.

Instead, we paid the price of too much stimulation of the economy during election year 1978. Expansionary government budget policies put more disposable income in pocketbooks. Some local producers could not gear up fast enough (or were reluctant to gear up at all), local consumers looked to overseas markets, imports increased.

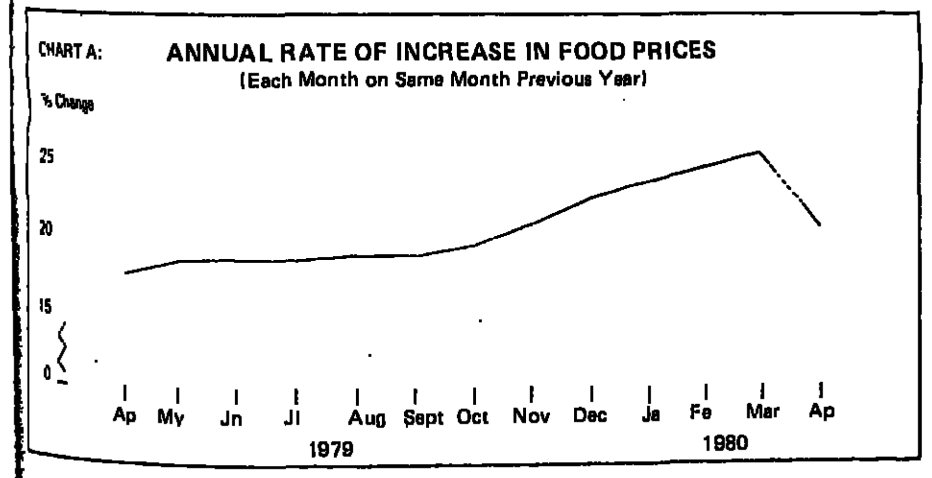
Overseas travel, shipping costs, and the costs associated with previous overseas debt increased at the same time. These invisible items further weakened our external position.

The BOP statistics show that our balance on merchandise trade was positive in March year 1980. This means we were exporting more goods than we were importing. But we imported more services than we exported and invisibles grew at a rapid rate

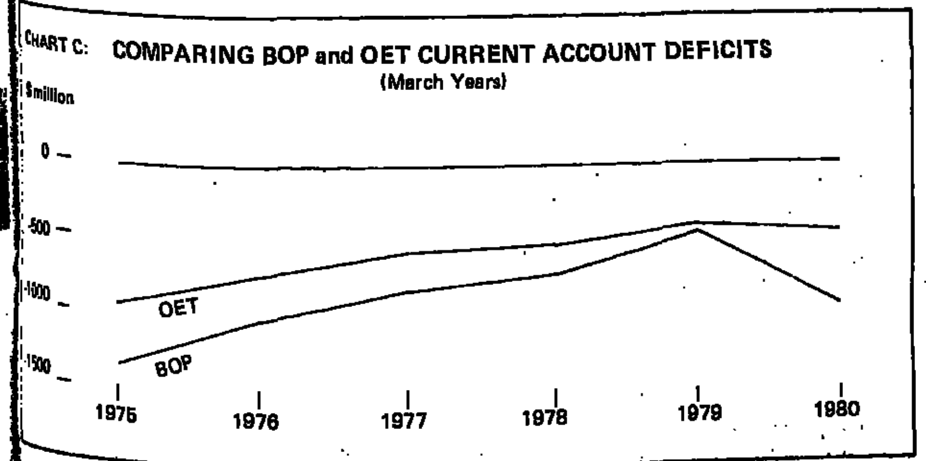
Even the Prime Minister's favourite series, the OET data, record a continuing dramatic increase in the invisibles deficit. As Chart D shows, the trade surplus (the additional amount we exported above imports) for March year 1980 was a remarkable $807 million. The deficit on invisible transactions was $1,289 million.

The existence of large external deficit places a constraint on economic output and on employment. A worsening overseas situation should normally cause the Government concern.

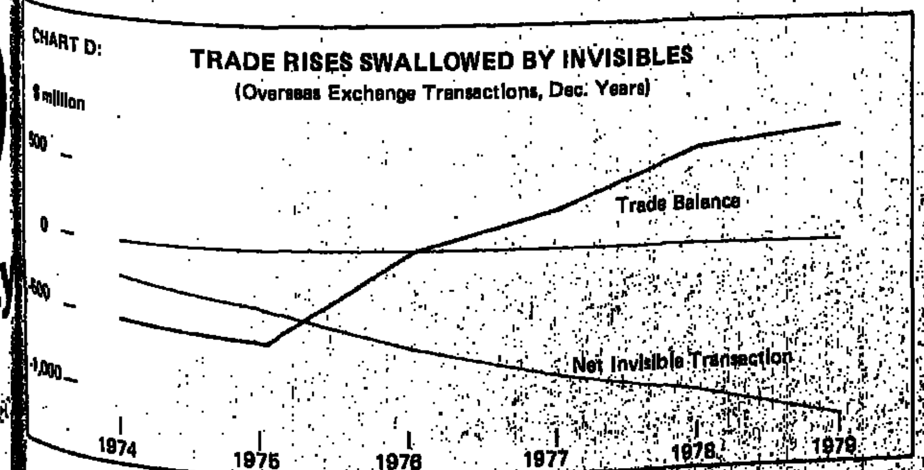
But the Prime Minister has remained cool. It is still 18 months before the next election. Economic conditions are too far gone to be remedied by then. So if the economy is left to work its way down into recession this year, even slight improvements during election year may give the appearance of economic recovery.



Food Price Increases May Have Peaked. . .



External Deficit is Worsening



Production decline

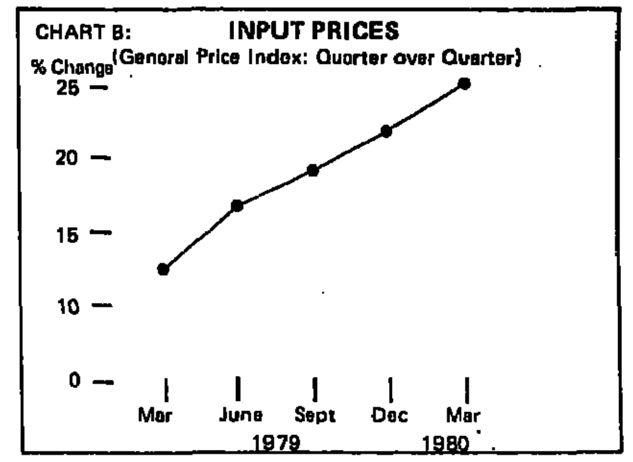
INDUSTRIAL production in the United States fell 1.9 per cent in April, the largest decline since a drop of 2.5 per cent in February 1975 during the last recession.

This is the third consecutive monthly drop in production figures, following declines of 0.7 per cent in March and 0.2 per cent in February.

Anemic GNP

ECONOMIC advisers to the Business Council — a group comprising of the heads of the biggest businesses and corporations in the United States — expect America's gross national product to decline 2.3 per cent between the first and fourth quarters of 1980.

And, "the recovery is expected to be anemic," with real GNP rising only 3.5 per cent over the first four quarters of recovery.



Input Prices are Still Rising. . .

Profile

Meat expertise harnessed for export

by Helen Vause

IN ten years as general manager of Refrigeration Engineering Company, Raph Engle has been credited for the many systems operating in our meat and dairy processing industry.

He formed RES in June last year and has an impressive list of completed contracts behind him for local clients including Borthwicks, Waitaki, NZR, Sanfords, and the Apple and Pear Board.

Overseas contracts for RES systems have been negotiated in the United States and France.

In July he will open a British contracting company to be followed by an American base. Marketing will be a key function for the American operation.

Engle became widely known in the local industry through his work for the Refrigeration Engineering Co — an equipment supply operation.

That company was set up by his father, William Engle, who emigrated from Israel to join

CAPITALISING on the experience and ingenuity built up during a century of New Zealand's involvement in meat exporting, an Auckland company is exporting expertise and making it pay.

Howick-based Raph Engle Systems Ltd, a company based on Kiwi know-how and design in meat handling and food technology systems is moving into the export of turnkey projects.

In July, RES will open a British contracting company, followed by an American base with a key marketing function.

Managing director Raph Engle, 41, had wanted to harness and package New Zealand expertise for export, and to establish this country as "the Switzerland of the South Pacific".

RES specialises in design, construction, and commissioning of food and chemical plant.

The company sells total systems, and unlike a consultancy, accepts total responsibility for a project.

It designs a total system (for example, a slaughter chain, cool store, and so on) and, through an international network of experts, buys the appropriate skills to make up the RES package.

RES's operations cover industrial refrigeration, conveying and automation systems, hy-product systems and processing equipment, cooling systems, meat handling and processing technology, fish processing, petrochemical systems, general automation systems and power management.

While Engle does not claim to be the best in the world in design terms he does claim to offer the only total system service and thus has no competition for this service world wide.

forces with Sir William Goodfellow.

Raph Engle's interest in exporting expertise was born at that company: "I got involved with techniques and realised you shouldn't be selling products in isolation," he said.

His own background was in mechanical, refrigeration and control engineering but he believed he could do better by harnessing the talent around him.

He resigned as a director of Refrigeration Engineering because he could not gain support for his proposals.

He saw potential in the further refining of food here thus adding value to our exports.

He runs his company on open management lines, giving staff full contractual responsibility.

"Our engineers must be cost accountable. Keeping up with costs is part of their responsibility — we don't have purchasing officers here," he said.

In keeping with the RES philosophy of fostering local skills, work emanating from a design is taken to the local talent in the town where the job is to be done.

That way, Engle said, local people had kept their skills after his company had moved out.

Not everyone in the industry supported Engle's optimism for the export of industry know-how. He was considered over-ambitious and accused of raping the country to take the cream of the industry away from here.

"Some people would like to see me fall flat on my face. But its worked beyond my initial expectations and the potential blows my mind. I know they call me Raph's flying circus but we are not trying to conquer the world alone — we work with associated people world wide.

"We are certainly export oriented but we are not raping this country.

"We are bringing know-how back home too and we are committed to success here.

"We want to stop the brain drain. We pay our people to go overseas and bring knowledge back with them.

"Interest in what we are offering overseas is so great that we must be careful not to grow too quickly," he said.

Engle's staff are testimony to his promise to bring skill here as well as to sell it.

General manager Bob Johnson was a director and the general manager of a British industrial refrigeration company, UDEC.

Financial backing came from Engle's Australian partners and associates, the McNeice Brothers Group.

Raph Engle . . . buy appropriate skills

That company provides contractual expertise and the two share a free exchange of information.

Engle says: "Inevitably, installation of efficient systems must drastically improve the economy of processing. In an increasingly competitive world achieving and maintaining operating efficiency and production levels is essential to the future and survival of the processing and allied industries".

Engle's is a turnkey operation. "It's a challenge to do what no one else has done."

Trade

Trade fair scores sales success

THE New Zealand Eighties Trade Fair pushed through more than 160,000 people during a nine-day exhibiting period and sales could break the $2 million mark, according to Wellington Show Association director Dick Dundas.

Some members of the public grumbled that the affair was fairly "ho-hum". But from exhibitors' points of view, the show was a great success.

Many reported they had not set out to achieve large sales, but rather to show their products.

As an advertising exercise, it exceeded all expectations, said Creative Decor Manufacturing Ltd. sales and promotion manager Merv Smith.

One exhibitor pointed out that those engaged in straight selling of their products might have done better if they had been confined in a particular area, rather than been intermingled with the purely trade stands.

Despite this, companies such as Akron Pacific (with pewter ware) and the Copper Shop (with a range of copper items) reported good sales right through the fair.

Akron Pacific reported such a good reaction from the public that it will be showing its products at later fairs in Christchurch and Auckland.

For Ceramco subsidiary Creative Decor, the fair provided that company a "show window" for the rest of the country, Smith said.

"We were thrilled with the concept," he said — the company would do it again.

Brent Mazey, from Mazey Home Appliances, said his firm would not be able to gauge the fair's impact on sales of spa pools for a few months.

With a price tag of around $3000, the spa pool on show was not expected to generate many on-the-spot orders, but "from our point of view it was the best way of advertising," Mazey said.

The DSIR's exhibit "technology helping New Zealand", comprising working models as well as contributions from commercial firms, had the greatest impact on members of the public not familiar with technology.

A spokesman commented there was only a "moderate amount" of interest by manufacturers.

He pointed out the DSIR had been concerned to raise the general level of awareness in the community of the possibilities of new technology and to show it is more conscious of disseminating information to people other than scientists.

"It was an important venture for us, and we learned a great deal from it," he said, and added the DSIR would do better next time.

"We tended to show too much in some exhibits, not enough in others," he said, referring to the level of public awareness.

O'Brien on business

Consumers spending more but resisting HP

PETER V O'BRIEN comments on the financial and business week, appraises the share market and analyses company accounts.

CONSUMERS spent more in shops last financial year, but showed some resistance to increasing their hire purchase commitments.

The latter economic indicator reversed in the final quarter to March, 1980.

Statistics for retail sales and hire purchases trading were issued last week covering the year to March.

They show that price and seasonally adjusted retail sales increased 3.15 per cent over the year, but went up 4.19 per cent in the March quarter, compared with the three months to December, 1979.

A decline in price and seasonally adjusted figures during 1979 explains part of the apparent discrepancy between the two percentages.

The value of goods sold on hire purchase increased 11.8 per cent between March, 1979 and 1980. In the year to March 1979 the value was $533.3 million, but went to $596 million in the following 12 months.

The value increase was 14.5 per cent between 1978 and 1979.

Hire purchase values are unadjusted for price increases. The movement of 11.8 per cent in value among the businesses surveyed (about 72 per cent of all hire purchase sales) has to be examined in relation to the number of agreements, and changes in the CPI.

The latter went up 18.4 per cent in the year, but includes solid rises for food, and other items which are excluded from hire purchase.

The Department of Statistics' comparative figures show that 615,864 hire purchase agreements were entered into in the March 1980 year, compared with 602,189 in the previous 12 months.

There were wide fluctuations within the total. Motor vehicle hire purchase agreements dropped from 59,883 to 58,063, while agreements covering plant and machinery increased from 5315 to 7132.

The largest movement occurred in television sets. In 1979 the agreements totalled 21,107, but fell to 18,636 in the following year. The growing popularity of rental is one reason for the decline, given the capital outlay for the equipment, and the solid interest rates now applicable to hire purchase agreements.

(There is an "interest" element in a rental agreement, but it may be considered relatively painless in relation to the amount of disposable income outlayed each month for the joys of observing happenings on the box).

The "other household and personal goods" group had a substantial increase in a number of agreements, although in percentage terms it was below the "plant and machinery" category.

Consumers entered 532,033 hire purchase agreements for "other household and personal goods" in 1979-80, compared with 515,884 in the previous year.

There was a considerable increase in all categories in the March quarter of 1980, reversing the previous almost static trend.

Finance company executives last week suggested that the emergence of bankcards and the growth of discounters may have something to do with this; in spite of interest charges, which now range between 13 and 15 per cent "flat" (about 25 and 29 per cent in real terms for a 12 months agreement payable in monthly instalments).

Bankcards are said to be ideal for the purchase of home appliances.

It was also agreed that the combination of tax reductions and back pay (particularly for public servants towards the end of last year — the recent adjustment came after the March quarter) would influence the rise in hire purchase agreements in the last three months of the 1979-80 financial year.

Retailers may be doing better for roughly the same reasons.

There are interesting statistics in the three store groups covering the food business over the last year. Since the figures are adjusted for seasonal factors and for price adjustments, the changing volumes are expressed in the relevant dollar figures.

There seems to be a switch from expenditure on meat and poultry to other foods.

In the March quarter of 1980 expenditure (adjusted) on the "butcher, poulterer" store group was $30.1 million. In the previous four quarters of 1979 the amounts were: March, $33.4 million; June, $31.5 million; September, $31.2 million; December, $30.6 million. The trend has been down over the last five quarters.

The "grocer and dairy" group moved up. The figures since March, 1979 are: March, 1979, $198.3 million; June, $199 million; September, $198.2 million; December, $209.5 million; March, 1980, $209.5 million. In "other food" the corresponding figures were: March, 1979, $57 million; June, $56.6 million; September, $57.2 million; December, $59 million; March, 1980, $61.5 million.

Clothing sales, in adjusted terms, fell consistently throughout 1979 but picked up in the three months to March, 1980.

A similar trend was apparent in most other store type groups. Sales either declined or were static in 1979, but rose again (sometimes strongly) in the latest quarter.

There are probably several reasons for the pattern, including the factors which influenced hire purchase trading, although it is a trap to read too much into such statistics, unless they are related to the range of other indicators which produce an overall picture of the economy.

The question is whether the retail and hire purchase figures lift trading from a depressed state to one of "stability", or whether it is the start of a demand surge. If the latter, then policy adjustments will come.

Hard facts on debatable export tax incentives

EXPORT taxation incentive allowances were worth $164.6 million to New Zealand companies in the 1976-77 financial year, compared with $90.1 million the previous year.

The Department of Statistics says information on 1977-78 will be available later this year.

A department news release is the first public indication of the amount that companies claim for the various export taxation incentives.

The information gives detailed evidence on a subject which provokes debate in various sectors of the community, whether farmers, manufacturers, unions, or the general public.

Figures for 1975-76 and 1976-77, with the number of companies claiming the allowances, are set out in the table. It should be noted that one company may claim more than one allowance, so there is some duplication in the total number claiming incentives.

	1975-76 $000		1976-77 $000	
Export market development allowance	14,527	(1459)	22,629	(1845)
Increased export allowance — goods	74,041	(1437)	129,501	(1969)
Increased export allowance — new markets	1,568	(76)	5,617	(220)
Export investment allowance	Not appl		6,823	(279)
	90,136		164,560	

The number of companies, claiming allowances are given in brackets.

Manufacturing companies claimed the bulk of the allowances in all categories each year.

In 1976-77 1098 manufacturing companies accounted for $15.2 million worth of export market developments allowances, compared with 891 companies claiming $10 million in the previous year.

Manufacturing companies received $103.8 million in increased export allowance for goods in 1300 cases for 1976-77 (previous year: 962 claimants for $60.2 million).

The increased export allowance for new market was worth $4.7 million for 149 manufacturing companies in 1976-77 (1975-76; $1.3 million for 56 companies).

The export investment allowance (available since 1976-77) gave 230 companies $6.3 million.

The agriculture, hunting forestry and fishing industrial classification received a low level of allowances in both years.

The classification system may have something to do with this. There is a narrow distinction between a "manufacturing" company which partly processes fish, and the direct export of gutted fish.

A similar narrow distinction probably occurs between "forestry" and a manufacturing organisation exporting wood-based products.

The Department of Statistics advised last week that there could be some overlapping in these areas. New Zealand Forest Products and Tasman Pulp and Paper are usually classified as "manufacturing" companies, but they might export some products which would be logically classified as "forestry".

Further distortions can arise in the "wholesale and retail, trade, hotels and restaurants" and "finance, insurance, real estate and business services" industries.

Both groups lifted their "increased export allowances" for "goods" substantially between 1975-76 and 1976-77. Figures for later years might show a different pattern.

In days of yore, several manufacturing companies stacked up export allowances which gave them a tax credit.

The credits were often sold to either finance companies, or other organisations acting as "export factors", which offset the manufacturing companies' unused allowance against their own tax, usually after payment of a discount.

The Government changed the rules in 1978, when it introduced a system of tax rebates to companies in a "tax loss" situation. The new rules affected the accounts of Lion Breweries and Marac, as examples, although there were several others.

The industry divisions in the department's calculations therefore need cautious treatment, particularly if the allowances for years after 1976-77 are used comparatively on an industry basis.

Any debate on the "cost" of the allowances has to be conducted in the light of the foreign exchange earnings they represent — an amount which is more than the allowances (and before every economist writes to the editor, we are aware of the difference between "gross" and "real" foreign exchange benefits, the latter being a sophisticated concept, which can often be refined into the meaningless).

It will be interesting to see in future years what effect the new system of "band" export allowances has on (a) the amount of allowances and (b) the industry division of the total amounts. It might be significant movements between the industry breakdowns, depending on who is exporting and in which band they fall.

Market speculation on

THE sharemarket is adjusting to recent rapid rises and the anticipation of company results now being announced.

Major results have come to hand for March-balancing companies, confirming a good year in most cases. Attention moved to the next crop of preliminary reports -- those for groups with a June 30 balance date. We should see their figures in the period from mid-August to late September.

June-balancing companies include the stock and station organisations, where two market heavyweights (Challenge Corporation and Dalgety) head the field.

Challenge Corporation will hold an extraordinary meeting on Wednesday to approve a large issue of specified preference shares and to increase authorised capital.

Chairman Ron Trotter may elaborate on profitability comments made in his press statement of May 10, but even that exponent of financial disclosure is unlikely to give a profit figure 16 days before the end of the financial year, and before his sophisticated computer system tots up the accounts.

Trotter said enough in his May press statement to allow an approximate calculaton of the profit trend.

The key passage was under the heading "dividend" (after referring to the interim payment of 7c a share — higher than on 1978). Trotter said it was the directors' intention to recommend not less than a 10c per share final dividend, making 17c for the full year.

"As previously stated, the board's long-term dividend policy is that, over time, the payout should be between per cent and 40 per cent of average normal profit: that is the profit adjusted for extraordinary items and circumstances, and excluding equity profits except for dividends received. This means that as permanent improvement in performance is achieved, dividends will increase.

"Dividends should move in regular steps that are in line with the long-term trend rather than reflect short-term fluctuations".

I have no idea what Trotter means by "average" normal profit, because an "average" depends on the base date from which you start averaging. Perhaps he will enlighten his shareholders on Wednesday.

In the meantime, let us assume that for the financial year ending June 30 Challenge will pay out 37.5 per cent of "normal profit" as

CML's market value higher than that on books

THE market value of the Colonial Mutual Life Assurance Society's share portfolio in New Zealand at December 31, 1979 was 55.8 per cent higher than the book value.

That is one item revealed in the accounts for the Society's New Zealand operations which were released last week.

It is also the only comparison which can be made between book and market value of assets, because only the market value of the shares is given in the report.

The society had total assets worth $248.8 million in New Zealand at the end of the last financial year. Policyholders would be interested to see an indication of the "true" worth of that figure.

This is relevant to the society's profit over book values on realisation of assets.

The consolidated revenue statement shows that $274,005 came from that source last year, compared with $246,949 in 1978.

It would be useful to know what accounting policies are used.

The society's revenue account raises intriguing questions under the heading "application of income".

Death and disability claims paid to policy holders totalled $3,049,484 last year compared with $3,309,733 in 1978.

The drop may relate to the average size of policies paid out, but at first glance it could suggest that fewer policyholders either died, had an accident, or became ill, in 1979 than in the previous year.

Matured policies accounted for $7.9 million of income, as against $8.3 million in 1978.

In both cases the New Zealand experience differed from that of the whole society (New Zealand), plus overseas activities, which account for the bulk of the business).

An indication of the times is seen under the heading "surrenders, including bonuses cashed". In 1978 New Zealand paid out $8.9 million in this area. The whole society accounted for $62.9 million.

Last year New Zealand's figure rose to $10.6 million, while the worldwide amount was $68.2 million.

The increases were 29.9 per cent (New Zealand) and 10.7 per cent (society).

Policyholders have many reasons for surrendering life policies.

They include the necessity for cash to make alternative investments or for a capital purchase; travel; emigration (a significant aspect of New

Zealand life in 1979); or a feeling (false or correct is immaterial) that the policy's income benefits are behind the rate of inflation.

The effects of inflation can cause a surrender if the proceeds are to be used for any of the other alternatives mentioned.

A 29.9 per cent boost in that area may be an indication of how individuals view the current state of the economy.

It would be interesting to see (if it exists) a breakdown of the insurance industry's surrender experience in recent years.

In the absence of the information we can only speculate on the subject. Surrenders may be proportionately more common among younger policyholders, particularly those with no dependents.

The older people become the more conscious they are of sudden death, and the effect on dependents if there is no sizeable asset left behind.

They are also aware of the effect of tax deductibility of their premiums. Although it is not a universal rule, incomes tend to rise with age (so do the demands on that income, of course, particularly for people with families), and the marginal rate of tax also moves up.

For example, a person on $23,000 of assessable income before allowance for insurance premiums pays $600 in tax on the last $1000.

If the assessable income is $12,000, the last $1000 is taxed at $398. (In both cases we are talking about a person on an "S" tax code, for the sake of simplicity.)

(We have also assumed, again for simplicity, that the taxpayer is not a member of the Government Superannuation Fund, or a subsidised superannuation scheme. If they are in the fund or a scheme, the maximum deductibility of premiums is $800).

Therefore the deduction of $1000 in insurance premiums is worth more in dollar terms to the individual on the top tax rate than to someone whose assessable income is reduced from $12,000 to $11,000.

The top tax rate is 60 cents under the latest tax tables, while it is 39.8 (say 40) cents on the last $1,000 of assessable income between $11,000 a year and $12,000.

June-balancing firms

dividends. (Last year the payment was 36 per cent on "normal" profit of $12,676,000, calculated in accordance with Trotter's formula).

The share capital is now $36,488,328 in $1 shares after the acquisition of Broadlands.

If the dividend payment of "not less than 10c a share", is actually 10c the total will be 17c, and the dollar amount comes to $6,203,011, since the interim was paid on shares issued for Broadlands.

Taking 37.5 per cent of "normal" profit as the dividend, that means profit under the formula would be $16,541,362, an increase of 30.4 per cent over 1979.

At the half-way point the increase was 11.9 per cent on the same basis, but there are wide fluctuations between first and second half profit for stock and station companies, as the "height of the season" comes into the second six months.

Activity in non-rural business follows a slightly different pattern, but, assuming our 37.5 per cent dividend payout is appropriate, it looks as though Challenge could be earning about $16 million this year.

Again, it must be said that the term "average" normal profit is difficult to interpret.

The inclusion in the second half of six months' profit from Broadlands also confuses the picture. If we allow, say, $1.3 million for Broadlands profit in the second six months, the earlier calculation of $16.5 million for Challenge's normal profit comes back to $15.2 million, which is an increase of 20 per cent over 1979. (There could be a further adjustment for higher interest, because the company arranged a large medium term loan during the year).

Normal profit, including Broadlands, of $16.5 million gives an earning rate of 45.33c on the new capital, but that is a little artificial, because a "real" earning rate would have to take account of a full year for Broadlands.

Even so, the share price of $2.38 last week is 5.25 times projected earnings, compared with an historical (1979 profit figure) relationship of 5.71 on last year's capital.

Assuming a dividend of 17c a share the dividend yield at $2.38 is 7.14 per cent, before allowance for the tax-free element. The interim dividend was paid from tax-free sources, and required $2,544,000.

Capital profit from sale of assets in the half-year was $2,455,000.

Distributable capital reserves at June 30 1979 were $4,631,000, so there is a sizeable sum available for further tax-free distributions, before allowance for capital gains in the second six months. It should be noted that Challenge "utilised a capital profit realised on the sale of a substantial shareholding in General Finance Ltd together with the difference between book value and market value of two large investment properties, to write down certain advances and property developments by approximately $5.6 million".

If the profit calculations are approximately in line with what Challenge will report, the shares have potential movement left before they come overpriced.

But, at the risk of receiving a famed Trotter comment somewhere along the line, I wish he would say what he means by "average" normal profit. Perhaps we are dealing with a situation where "when I use a word it means exactly what I want it to mean".

Apart from the ordinary shares, the specified preference issue could be attractive, depending on where the market sets rights' prices.

Note: The writer neither owns, nor has a beneficial interest in, Challenge shares.

Energy

Fusion power: laboratory curiosity a 2000 reality

by John A Roberts

A FEW years ago, when American energy planners surveyed nuclear fusion, it was little more than a laboratory curiosity.

Nuclear fusion is now seen by the same planners as an important energy option. The United States Department of Energy has outlined a programme to have the first commercial fusion reactor power plant in operation as soon as the year 2015.

This changed perception comes from a 1978 report by a blue-ribbon panel given the task of assessing fusion's potential as an energy option. The panel concluded that fusion offers not only an important energy option, but one that is now within reach.

Nuclear fusion is essentially a process of making the nuclei of two atoms collide with such force that they are "fused" to form a new, heavier substance, giving off energy in the process. In its most frightening form, nuclear fusion is represented by the hydrogen bomb and in its most important form by the sun.

One overriding attraction of fusion energy is an almost unending supply of the two forms of heavy hydrogen expected to fuel fusion reactors. One of these, *deuterium*, is found naturally in our oceans. The other, tritium, would be generated on site by the reactor itself.

Nuclear fusion is a relatively clean energy source. It does not use fossil fuels. Fusion has all of the environmental advantages of nuclear fission power without most of the disadvantages. There is no radioactive core in a fusion reactor and no possibility of runaway reactions. The radioactive tritium fuel is relatively easy to handle. The fusion reactors will not only generate much smaller quantities of radioactive waste, but the waste would be less hazardous.

It has potential for generating synthetic fuels – by producing hydrogen for use as a fuel, or in production of basic hydrocarbons for fuels or petrochemical building blocks.

Two basic approaches to nuclear fusion are under competitive development to determine which offers the greater potential. The approach with the longer history – about 25 years – and the more advanced is "magnetic confinement fusion". The second approach is "inertial confinement fusion." Research and development of each programme are co-ordinated by separate offices within the American Department of Energy (DOE). About $350 million of the $500 million annual fusion budget goes to the magnetic programme, the remainder to the inertial programme.

Edwin E Kintner, director of the DOE's Office of Magnetic Fusion Energy, described the overall fusion programme as "the most difficult scientific and technological task ever undertaken." The programme concerns the field of plasma physics, about which relatively little is known.

A magnetic fusion reactor, he said, begins with two fundamental components – an evacuated tube surrounded by powerful electromagnets. If the tube is straight, the reactor is *called a "magnetic mirror* reactor." If the tube is doughnut-shaped, it is called a "*tokamak*". *The tokamak* concept was invented in the Soviet Union. Loosely translated, tokamak *means* "toroidal magnetic bottle."

Magnetic fusion, Kintner explains, is based on the concept of confining a plasma – a gas in which the electrons have been stripped from their nuclei – within as magnetic field.

A magnetic fusion reactor works like this: neutral atoms are injected into the evacuated tube, where they are stripped of their electrons and the now positive-charged nuclei are confined in a plasma stream by the strong magnetic field. This magnetic confinement suspends the plasma within the approximate centre of the tube, thus preventing it from making contact with the tube walls and thereby losing energy.

Fusion occurs when nuclei begin colliding with each *other with sufficient force to* form new elemental nuclei. A fusion reactor's efficiency is *dependent upon variables of* temperature, plasma density and confinement time.

Kintner said that for practical purposes the Large Torus reactor of Princeton, New Jersey, has already demonstrated feasibility of achieving the 100-million-degree C plasma temperature required to reach a break-even point between energy consumed by the reactor and energy released. Additionally, he said, experiments at the Massachusetts Institute of Technology have achieved even greater-than-required plasma densities.

The three key variables of temperature, plasma density and confinement time are *scheduled to be brought* together in a single new test reactor now under construc*tion at Princeton.*

The new Tokamak Fusion Test Reactor (TFTR) will be *twice as large as the Princeton* Large Torus, now one of the world's largest tokamaks, and is scheduled to become operational in 1981. Energy breakeven is expected to be demonstrated in 1983 and Kintner adds his own belief that the TFTR will operate as a net producer of energy.

The other approach to fusion, inertial confinement, involves "drivers," such as high-energy particle beams or lasers, being focused on microscopic targets containing tritium and deuterium and through an explosive reaction, compressing the gases to achieve the temperature and density required for fusion.

Dr Gregory H. Canavan, director of the *DOE's Office of* Inertial Fusion Energy, explains that though the inertial programme *did not properly get under way until the 1970s*, plans are for it to substantially catch up with the magnetic *programme by the mid-1980s.* Decisions will then be made concerning the best method to pursue – mirror reactor v tokamak in magnetic fusion, and particle beam v laser in inertial fusion. Parallel development then would begin on engineering test facilities to provide compari*sons of the two systems before* deciding, in the mid-90s, which to take forward for *development of a reactor.*

A major hurdle facing the inertial programme, Canavan said, is achieving a better understanding of the plasma physics involved in the coupling of the driver energy into the implosion of compression of the gases within the target. A second challenge "is to demonstrate that we can get out as much energy as we have to put into the reaction".

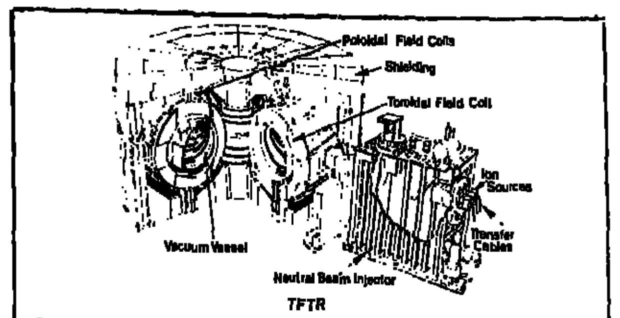
In addition, Canavan says, "there are a number of possible *drivers and we need to* demonstrate the potential for each of these to discover which *is the prime candidate.*" Variation in the structure of the targets affects fusion also and is a key research area.

Major fusion programmes also are under way in the *Soviet Union. Europe and* Japan. There is a substantial exchange of information *among the varied pro*grammes and the United States is an equal partner with the USSR, Japan and the European Economic Community in a programme to develop an engineering test power reactor dubbed INTOR – International Tokamak Reactor.

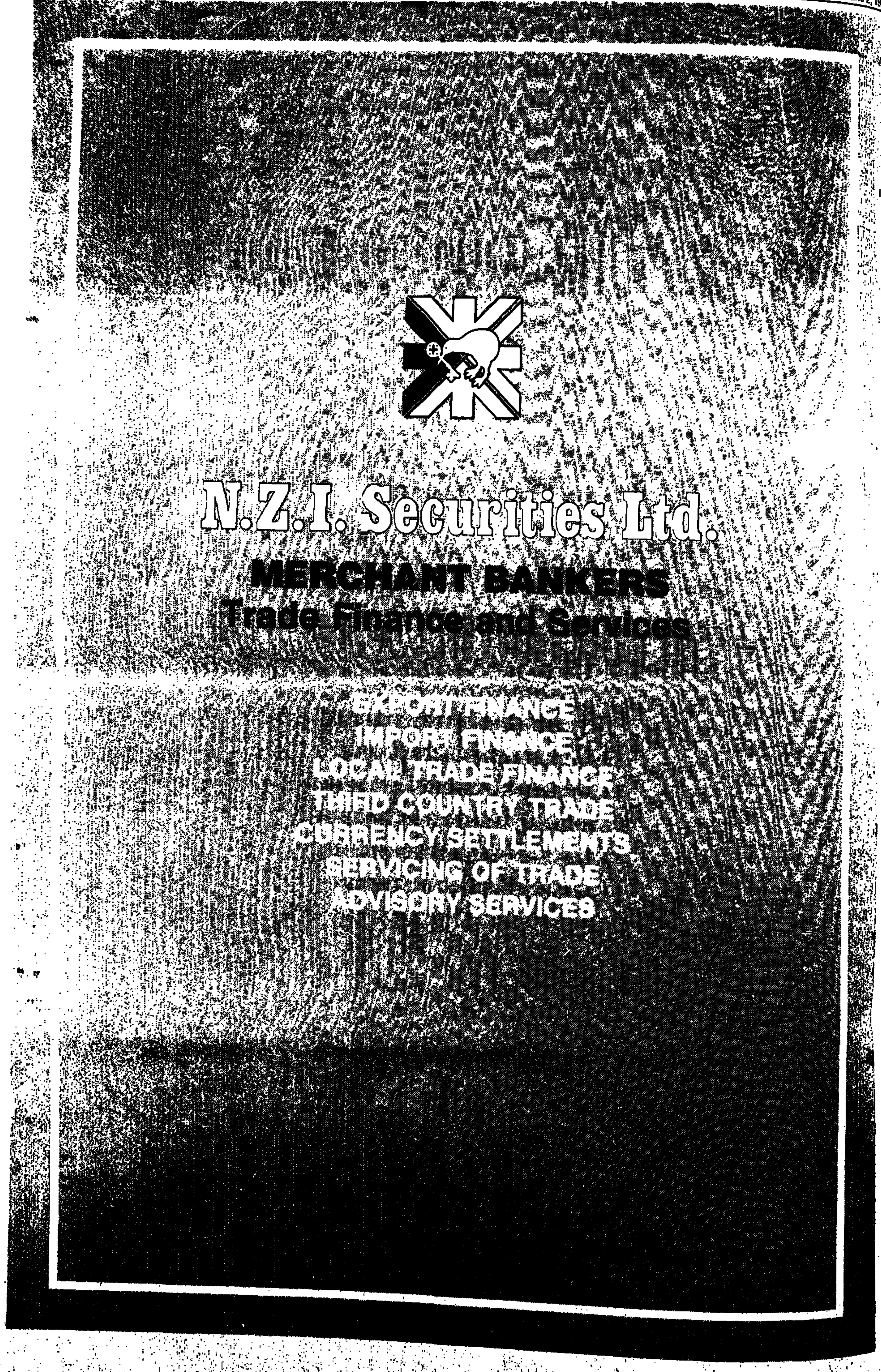
Dr Melvin B Gottlieb, director of the Plasma Physics Laboratory at Princeton, believes the United States leads the world fusion programme "despite the major and impressive efforts in the Soviet Union, Western Europe and Japan.

He suggests the United States could have a demonstration reactor in operation by the year 2000 – a full 15 years earlier than planned in the present DOE schedule.

"Another approach," he suggests, "is to work on two time scales -- a shorter one to show that fusion is a practical *and acceptable solution to our* energy needs, and a longer one to select the optimal fusion process." This approach, he says, could lead to an operable demonstration power reactor in about 20 years.



Nuclear fusion in its most important form



Marketing board slices away at the porkberg

by Grev Wiggs

THE Pork Marketing Board, swinging into action to reduce the size of the porkberg which resulted from over-importation last year (*NBR* last week) has met with early success.

The marketing plan, produced by Mackay King Advertising, envisaged three stages of promotional activity.

Initial strategy was to increase the sale of fresh pork, thereby reducing the quantity of pigs available to grow to baconer size.

The "Pork's a winner" promotion was launched in Auckland and Christchurch using press and radio. With each pork purchase the customer received a numbered sticker and these were drawn for prizes in a competition run by Radio New Zealand.

"The campaign is a big success in Auckland," Ian Lamb, marketing officer, told NBR, "and we are also happy with the Christchurch results."

Against the target figure for the dual-market exercise of 4000 extra pork carcasses over a 10-week period, sales results are running at 500 extra carcases a week in Auckland alone.

"We can also report increased consumer awareness of the product and positive retailer response," said Peter Cullinane, Mackay King account director.

Although the fresh pork campaign will help reduce future bacon meat problems, there is still plenty of problem areas left in the quantities of pork imported last year.

Cured products represent 75 per cent of the pig meat market.

Bacon comprises 50 per cent of the cured pork market and thus 37 per cent of the total pig market.

In view of the need for immediate action and because of the importance of the bacon component, bacon promotion became stage two in the development of the marketing plan.

Even though the longer term objective must be to enlarge the consumer base for the product, the planners saw as the shortest distance between target and sales achievement a concentration on increasing consumption by existing heavy users.

Mackay King then commissioned Heylen Research to find answers to two important marketing questions: who are the current major users; and what are the most persuasive product benefits.

The study resulted in defining the target market in terms of females 25-39 years and housewives.

A surprising pattern of usage, as distinct from volume of consumption, uncovered by the survey showed that bacon was served as frequently at dinner (30 per cent) as at breakfast (31 per cent) and little less frequently at lunch (24 per cent).

No fewer than 25 benefits were listed by the consumers.

But most important, bacon was regarded as a versatile, time-saving, convenient and appetising food.

"Pork's a winner" . . . part of three stage promotion

Children were selected as the communications vehicle for this message because they are a common denominator of the target audience and, credibly presented, are persuasive communicators.

Thirty-second commercials were prepared for a month-long campaign.

To publicise the television launch, the Wellington PR firm of Consultus arranged a bacon breakfast for media representatives, board members and some of the citizenry who were fortunate enough to have such names as Trotter or Bacon.

Announcing the start of the advertising campaign, Lamb said the wholesale price of bacon had fallen by 45c a kilogram and in some lines as much as 60 cents.

"We reckon that bacon now represents just about the best value for money among meats," said Lamb.

Despite the confidence of the Pork Marketing Board that intense competition in the marketplace will ensure most of the benefits of the wholesale reduction would be passed on to the consumer, a snap check in a Wellington suburban shopping centre showed only Woolworths offering a price concession at the time of writing this.

The initial bacon campaign is limited to television only and the results will be monitored to measure shifts in campaign awareness and in product preference.

The theme of the campaign, "Bring home the bacon, mum", will be extended to point of purchase to reinforce the in-store message and bacon curers will be able to prepare thematic material linking in their own brands.

The third phase of the programme will see a return to the promotion of fresh pork but timing and tactics will depend on the progress achieved at the end of the second phase.

Although produced under pressure and at short notice, the marketing plan follows an orderly and logical progression and consumers will find the advertising approach inventive and lively.

It is to be hoped that this marketing exercise, born out of necessity, will be seen by the Pork Marketing Board not as a quick palliative to a critical situation but rather as the first step in a long term plan to build a stable, continuous and rewarding share of the meat market for the products it represents.

Film to dispose of rich farmer myth

by Lindsey Dawson

PAPANUI MP Mike Moore, back from Europe, says our problem is that everyone there thinks New Zealand is a country full of rich farmers and little else.

Several companies are sponsoring a promotional film designed for exporters which is aimed at correcting that impression.

AHI, Feltex, MSI and Freightways are the major backers of *The Other New Zealand*, a $16,000 five-minute movie which will be available in 16mm and 8mm size for either standard or desk-top projectors.

Final shooting and editing is being completed by New Horizon Film Productions, of Auckland.

Producer Jack Mills said: "Sales reps are returning from overseas saying the same things – that the outside world doesn't know where we are, who we are, and what we're capable of.

"They tend to think that we're all farmers, and ask what do we know about manufacturing. *So we decided to make* a film which would dispose of the myth that New Zealand is one big sheep farm," he said.

The sponsors, which include A & G Price, R C Marine, the Auckland Harbour Board, and the Blueport and *ACT shipping lines*, will have first call on the movie for export and promotion purposes, and copies will be available to other firms for about $100.

"We're not making a great deal of profit – we see it as being good PR for us and the country," Mills said.

The Other New Zealand is a fast-paced production featur*ing a broad view of the* country's industrial and freight capabilities.

Mills, who has been in the film-making business for 40 years, came to New Zealand six years ago, with feature and documentary work behind *him*. He filmed special effects for *The Battle of Britain*, and worked on *Diamonds are Forever* and *The Last Valley*.

His New Horizon partners are writer and director David Tossman, and cameraman John Earnshaw.

They have worked closely with the Export Institute in making *The Other New Zealand*, and hope that the Department of Trade and Industry will order copies for New Zealand trade offices around the world and arrange for foreign language versions to be made.

Casino's future on a changing wheel of fortune

by Andrew Fisher
of the *Financial Times*

THE roulette wheels spin more slowly and the blackjack tables are less lively in London's plush West End casinos.

In sharp contrast with the heady growth of a few years ago, club operators are beset with a host of problems, all of which spell bad news for future profits.

Not the least of these is the fall in the number of visiting gamblers from overseas, deterred by the rising value of the pound and by turmoil in the Middle East, where many of the "high rollers" come from.

But it is the problem on their own front door which most troubles the major British casino companies in an industry where business volume is approaching £1 billion a year.

The most highly publicised in recent weeks has been the continued failure by Ladbroke, a leading British betting and hotels group, to win back licences for three lucrative clubs in the exclusive London district of Mayfair.

Last year another leading company, Coral, was stunned by a massive raid in which 450 policemen descended on its four London clubs, its head office and the homes of several employees, and made a number of charges against officials.

Ironically, the lacklustre appearance of Britain's casino industry — generally reckoned among experts to be among the world's crime-free and well ordered — comes at a time of marked expansion elsewhere.

World-wide there are around 40 countries where casino gaming is legal.

Spain is one of the latest countries to legalise casino gambling. And several states in the United States are wondering whether to change their laws and allow in the gamblers.

Since the extent of illegal betting has been estimated at around $100 billion a year in the United States, there is plenty of scope for expansion. The figure comes from Dean Witter Reynolds, a leading New York firm of securities analysts, which reckons that casinos' gross profits in America could total $5 billion-$7.5 billion by 1985 against an estimated $3 billion or so this year.

So far gambling is legal only in the desert state of Nevada, where the raunchy Las Vegas image more or less sums up the business for most people, and in New Jersey.

The New Jersey authorities' legalisation decision has unleashed an incredible volume of activity in the once-faded seaside resort of Atlantic City, where companies have been falling over themselves to enter the gambling business.

Casinos only recently have been made legal in Atlantic City, but the profits generated have been enormous.

With three companies — Resorts International, Bally Manufacturing and Caesar's Palace — now in operation there, casinos' winnings in the city averaged $1.26 million a day in January.

But the speed at which future projects can be implemented has been cast in doubt by the surprise news earlier this year of corruption allegations against New Jersey state officials.

Says Victor Lowndes, head of Playboy in Britain and of the group's international operations: "This sets New York back about five years." Since Playboy is a partner in a prospective Atlantic City venture, he has more than a passing interest.

But he does not feel that the $90 million project, including the 500-room hotel also required by the authorities, should be set back too much by the allegations, since it is already fairly far advanced.

For Coral, which also has an involvement in Atlantic City, the picture may not be so clear. Coral's American partner, Hardwicke Companies, in which it has a 20 per cent stake, has already run up against problems in completing the financing. Potential backers will hardly be encouraged by the bribery allegations in New Jersey.

But Coral's main problems are at home. Managing director Michael Hoare reckons that the British casino industry "is in an unsettled state," part of the reason being the adverse publicity caused by the Ladbroke affair.

But Coral is unsure about the future of its own licences during the annual renewal procedures in the courts this May. It does not know if the police, Britain's Gaming Board, or anyone else will make strong objections.

Coral casinos are thought to have earned pre-tax profits of more than £11 million in 1979.

Ladbroke's casinos were highly profitable last year. But the courts have made Ladbroke close down its three Mayfair casinos after widespread publicity about breaches of the 1968 Gaming Act.

These involved enticement of gamblers away from rival casinos through breaches of the law; legislation which was designed to keep the British casino industry controllable after the unregulated growth of the early 1960s.

Ladbroke had to close the three casinos in December after Knightsbridge Crown Court in London refused to overturn a lower court's ruling that the licences should be withdrawn.

In March it failed to convince the High Court that the matter should be reopened but is appealing.

The company has another London casino, the Park Tower Hotel, but the Gaming Board wants the licensing authorities to cancel this one too. If it succeeds, Ladbroke's 11 casinos outside London could be shut down under the law.

Meanwhile, Playboy is striving to keep open the Victoria Sporting Club, also in London, after paying £6 million for it last August. The previous ownership of the club had several charges laid against it after the police raid in 1978.

The Gaming Board is trying to convince the courts that the Victoria's licence should be cancelled, despite the new ownership. It argues that the takeover by Playboy cannot obscure the club's past history.

Since gross takings were nearly £13 million in the first four months of the new management — £2.5 million of this was profit — it is clear that the stakes are high. Operators generally keep as gross winnings about a fifth of the money staked on their tables.

Whatever the surrounding problems, therefore, there is no shortage of people trying to enter the industry.

NEW Zealand casino advocates — centred around a group of businesspeople who have been pushing for a casino complex to be built in Christchurch since mid-March — are laying their bets on an industry which world-wide has met with changing fortunes.

One contender for casino development has indicated that the time is not ready, but lobbying forces have clearly been at work.

Tourism Minister Warren Cooper has come out openly in support of the introduction of casinos.

If the casino industry opened up here, New Zealand would join the ranks of about 40 countries which have legalised "playing the tables".

But while local casino advocates point to Hobart's Wrest Point casino — which has helped revitalise Tasmania's tourist industry in the last seven years — there have been major setbacks for the industry in two countries where gambling has taken a firm hold: Britain and the United States.

Removing scrap embargo threatens steel industry

by Rae Mazengarb

THE lifting of the export embargo on ferrous scrap — under Government review — threatens the viability of the steel industry, according to concerned industry sources.

The possible move has implications for the country's foundries, which have experienced disruptive shortages of ferrous scrap in the past.

The move would mean the loss of an estimated $18 million in exports, the abandonment of the existing system of nationwide collection and recycling of scrap and would allow the cream of a valuable resource to be skimmed off, leaving as much as 85 per cent low grade ferrous scrap unusable, sources say.

New Zealand could expect to gain only $5 million per annum from the export scrap.

The present export embargo dates back to the formation in 1960 of Pacific Scrap Limited, now Pacific Metal Industries.

Pacific Metal Industries supplies the total raw material requirements of its parent company, Pacific Steel Ltd.

It also supplies the scrap requirements of New Zealand Steel Limited — now, around 130,000 tonnes but projected to reach 200,000 tonnes within the next three years.

The Metal Casting Industry Association, representing the foundries, has also indicated the removal of the embargo would seriously affect its cost structures, and ultimately its viability.

The review is expected to be completed next month.

Committee officials have met with the industry several times recently but sources say everything is still "up in the air".

Pacific Metals contend that the export embargo was not only a measure of initial protection, designed to remain in force until the industry was fully established, and like tariff controls and import licences, subject to continuing review.

Rather, the company considers the embargo fundamental to the maintenance of an indigenous steel industry, based on significant supplies of ferrous scrap at a price which enables the industry to be internationally competitive.

The company has told the review committee, comprising officials from Trade and Industry and other departments, that the fact the review is taking place undermines confidence in the Government's commitment to the industry's future.

And it has hinted that major expansion plans already in train, which include a de-tinning plant about to be commissioned and a car shredder and crusher, might have to be deferred or even abandoned — if the issue is not solved quickly.

Those two projects would provide an additional 42,000 tonnes of scrap a year, rising to an expected 54,000 tonnes when the de-tinning plant is fully operational.

With that expansion, the company has pointed out it is unlikely to be able to service the future demand for scrap.

Industry sources predict world-wide shortages of scrap for the 1980s and increasing supply problems stemming from the finite nature of the resource.

They say the scrap shortages will be serious even with the present embargo.

The foundries need access to huge supplies of high-grade ferrous scrap, without which they could not operate.

The removal of the embargo would result in the end-users having to source supplies from overseas.

Not only would they expect to pay significantly higher prices, but they would be reliant on world supplies.

Industry sources say that lifting the embargo makes economic and environmental "nonsense". And they claim it cannot be justified in terms of the Government's desire to phase out protectionism.

Moreover, it appears to run counter to the policy of fostering export activity, they say.

Pacific has said it will pay whatever price is necessary to obtain the high-grade scrap (some 85 per cent would not be exportable, anyway).

That price would be reflected in the price of processed scrap to Pacific Steel and New Zealand Steel.

Those companies would be forced to curtail some $18 million worth of exports.

Pacific Steel and Pacific Metal Industries would reduce operations and some 250 jobs would be lost.

Trade and Industry Department official Charles Broad — a member of the review committee — said the review was "a Cabinet matter".

The embargo had been in force for many years now, and "like all things the Government does", was ready for review, he said.

Some industry sources say they suspect the review originated in Treasury; others say it is more likely it is intended to force a definite proposal for the purchase of a car-crusher and shredder.

Pacific Metals plans to buy a $3.5 million plant, and other parties are known to be interested.

The Auckland Regional Authority — once a prime contender — apparently gave the game away in the face of potential capital expenditure of between $8 and $21 million.

That put the ball back in the steel industry's court, or anyone else willing to take it on.

Some sources suggest it is the other parties who have lobbied for a lifting of the embargo, in return for their purchasing a shredder.

Pacific Metals says the establishment of a local steel industry would not have proceeded had there been any serious suggestion that the embargo would be reviewed. Thus the lifting of the embargo would mean the reconsideration of expansion plans.

All the work was undertaken on the understanding the export embargo would remain in force, providing raw materials at reasonable prices.

Pacific Metals has been criticised for not fixing its prices to the international price for scrap. And it has been accused of paying well below overseas' prices.

Pacific points out that recycling companies overseas work within a radius of less than 150km. It serves the nation, meaning wide disparities in the cost of scrap because of high transport costs between Auckland and other parts of the country.

Pacific says price comparisons with other countries are not valid either, since the company accepts much lower grades of scrap than overseas processors and only two price categories are provided for all grades of ferrous scrap.

Beneath tomorrow's bonnet: a nuclear engine

by Donn Anderson

THERE is no alternative to nuclear power fuelling the car of the future.

That opinion of Chuck Chapman, vice-president of General Motors Corporation and managing director of General Motors Holdens, was expressed during a rare visit to New Zealand last month.

Chapman was here to help launch a new four-cylinder model for the company and boost dealer and distributor morale.

He placed emphasis on nuclear fuel. "Those people who protest are resigning those who live in under-developed countries to continued poverty" he said.

"A most overlooked fact is the problem of lesser-developed countries, like Africa, where there is only one car to every 100 people and more. These people will be pressing for economic improvement.

"Mobility will be needed, and this will be reflected in fuel and energy demands," Chapman said. "The energy consumption boggles the mind".

He pointed out that there was one car for every three people in North America, one for every four people in Europe, and in South America, one car for every 25. In the Asia-Pacific region – in which New Zealand and Australia are exceptions – there was only one car for every 53 people.

Motor industry growth was being achieved against a background of fuel crisis which were affecting everyone in the world. Chapman rates this as the biggest single challenge ahead for motorists and the industry.

Chapman said his tip as the most likely power of the future had nothing to do with being pro-nuclear, but was simply a matter of looking at the facts. Countries like New Zealand could not afford oil imports now, and the situation could only worsen.

"We're all going to have to find ways of doing things better than we have in the past".

Chapman said large ranges of models would still be offered in Australasia, but the number of small cars would continue to increase.

He does not see purchasers accepting anything smaller than models like the Fiat 126 or Mini, but predicts that the arrival of the two-passenger car might not be far away.

New Zealand tended to switch to smaller, four-cylinder cars before Australia, but latest trends across the Tasman show a rise in demand for smaller fours and sales dropping for six and eight cylinder models.

In the early 1970s, four-cylinder cars accounted for 35 per cent of the total Australian car market. By early 1980 this had risen to more than 60 per cent.

"I see it going to 65 per cent and still rising. At the same time, the six-cylinder will continue to take a significant part of the market, more so in Australia than in New Zealand," Chapman said.

"The Australian market is very unpredictable. Last year the four-cylinder trend was arrested and almost reversed by arrival of the new Holden Commodore and Ford Falcon XD ranges.

"Australia went through the first fuel crisis in 1973/74 untouched, but last year was different.

"Price is one thing; availability another. A refinery strike in New South Wales was enough to change consumer attitudes".

While fours were in favour, there was indication both here and in Australia that small-engined units were not always successful in fleet operation.

He noted one major company moving out of six and eight cylinder cars into fours to find the record of maintenance with four-cylinder cars much higher. "They are now coming back into six-cylinder vehicles," he said.

"In certain applications, four-cylinder cars are just not the answer. People overload the vehicles and expect too much of them".

Dick Kirkman, the North American-born managing director of General Motors New Zealand echoed Chapman. "The six cylinder is still one of the most efficient engines we have".

Chapman said smaller, more fuel-efficient sizes were being developed, and cited the German BMW company as an example.

"Your displacement tax distorts the market, and really penalises the 10 to 12 per cent of buyers who need larger cars. It catches all the sixes," Chapman said.

Kirkman agreed that Government should not continue to penalise the six cylinder market. "We've been talking to Government on the subject," he said.

Both GM executives agree that if the higher sales tax were lifted, there would not be a rush to buy larger-engined cars because the market has already adjusted to smaller models.

Chapman talks of GM marketing a viable electric car for urban operation by 1985. He says solar power has limitations and hydrogen is difficult to store and handle.

"Basically, we're staying with the internal combustion engine in the immediate future," he said. "I just don't see any alternative. We have already spent more money than we like to remember on the Wankel rotary engine.

"If the internal combustion engine can be replaced economically, we would like to be first," said Chapman, representing the largest manufacturer of motor vehicles in the world.

General Motors' problems have never been more evident than here, where sales have slipped to an alarmingly low level. GM led the New Zealand market in the early 1970s but has slipped to almost the tail of the field.

In 1972, GM held 23.6 per cent of the new car market in this country. Sales began to topple in 1974 with the introduction of the graded sales tax scheme. By the following year profits were slipping.

GM New Zealand made its first financial loss here since the war years in 1977, and its penetration of the new car market dipped to 15.3 per cent. In 1978 the GM share fell again, this time to 14 per cent. The $900,000 deficit of 1977 worsened to $2.2 million in 1978.

In the latest 1979 figures, GM is apparently back into the profit, to the tune of $5 million on sales of $139 million. A growing export programme has played a significant part in the company's return to profitability.

In terms of market share, and for GM dealers, the position remains critical.

After holding 9 per cent of the new car market for the first nine months last year, arrival of the attractive new six and eight cylinder Holden Commodore and good sales of Holden Sunbird and Vauxhall Chevette boosted sales to more than 14 per cent in the final quarter of 1979 – an average penetration of 12.5 per cent – 1.5 per cent down on 1978.

For the first three months of 1980, GM new car sales have deteriorated from 11.9 per cent to 10.7 per cent and 8.5 per cent. In April they dipped to 7 per cent.

Although GM continued to lead the commercial vehicle market, it had also been losing ground there.

Counting car and commercial sales, GM has shown the greatest decline of any local manufacturer in the first quarter of this year, slipping from second to Ford last year to fifth this year.

General Motors Holden has been so concerned about its major export market dwindling away that it agreed to launch its new four-cylinder version of the Commodore in New Zealand on May 29 – about a month before it goes on sale in Australia.

"We're releasing on the New Zealand market a new car that has not been seen here on the streets of any country in the world – not even in the car's birthplace," Chapman said.

"This is a first for New Zealand, a first for GM NZ. This fact symbolises our concern and support for the GM franchise in this country".

GM believes the new 1.9 litre Commodore 4 – which uses an Australian manufactured four-cylinder engine – has the chance to achieve 4½ per cent sales in the highly competitive 1.8-2.0 litre middleweight market. The fleet market is rated so highly that GM believe 55 per cent of Commodore 4 sales will be fleet.

Commodore 4 will have the advantage of being the biggest, roomiest four-cylinder saloon assembled here. The $11,300 price tag for the base manual transmission L model is also nearly $3000 cheaper than a six cylinder Commodore SL manual saloon.

The new model is obviously being fronted as a saviour for GM's New Zealand market.

The fact that Dick Kirkman was able to convince GM-H across the Tasman that the urgency of the Commodore 4 was imperative is evidence enough.

"The Commodore 4 is here, and not a moment too soon," Kirkman said.

Despite the bleak market situation currently held by GM, Kirkman stands on any rumours that the corporation would pull out of this country. "Absolutely not. GM has an investment in this market, and we see it as a good investment with a good future. General Motors has a proud record covering over 50 years here and we intend to be here for another 50," he says.

"New Zealand has a lot of positives, too. Business is optimistic in the near and immediate term," he said.

"Long-term the outlook is extremely optimistic because of the country's untapped national resources.

"The share market remains firm – pointing to a brighter future." But Chapman warned it will be to the country's benefit if it paid as much attention to the strengths of the economy as it did to its weaknesses.

Vineyard health turns in a sour bunch of grapes

by Frank Thorpy

THE Wine Institute's strenuous and successful efforts to incorporate inordinate quantities of water and wine in the new Food and Drug Regulations – which identifies New Zealand with the comic-opera fringe of wine-producing countries – stem partly from the realisation that all is not well in the vineyards.

The fight between vinifera, or true wine grape variety, and labrusca and hybrid varieties has almost been won.

In the five-yearly grape survey being conducted by the Department of Agriculture and Fisheries, it is thought that:

- The leading red variety now planted is Cabernet Sauvignon, the most highly respected red wine grape in the world;
- The leading white is Muller-Thurgau – not as highly respected as Riesling, for example, but the leading white variety planted in Germany for quantity production.

Why then do our just-gazetted regulations permit so much sugar and water to be added when in other parts of the world good wine is made from both Cabernet Sauvignon and Muller-Thurgau without such quantities?

In some adverse seasons, regulated amounts of sugar are permitted to be added to Bordeaux wines, but certainly no water. And from now on, no water will be permitted in German wines.

The answer lies in the health of our vines plus an overall shortage of wine.

The two greatest factors militating against our grapes ripening with flavour and goodness unimpaired and with sufficient grape sugar and low acidity are:

- The widespread presence of phylloxera and virus diseases in the grape vines;
- The incidence in some areas of too much rainfall at the ripening and harvesting period and, again in some parts, too rich a soil.

Phylloxera is a parasitic disease of the vine. A burrowing plant louse probably native to America, it devastated the vineyards of Europe in the 1870s and caused France a greater loss than the total indemnities paid in the Franco-Prussian war.

After tremendous and costly experimenting, the solution found was the grafting of vitis vinifera varieties onto the native American root-stocks which are naturally resistant to this root-eating grub which pesticides would not kill.

The argument still goes on as to whether the quality of wine has been affected by such grafting, but it is academic. Without this solution, no quality wine would be found in the world, except Chile and South Australia, which, by a quirk of nature seem to have been immune.

In New Zealand, the disease was first pinpointed by Romeo Bragato in 1895. In a report to Premier Richard Seddon, he advocated the classic remedy: "root out the diseased stock and replace with vitis vinifera grafts on American resistant root stocks".

Many vineyards were replanted, but others were not.

Eventually the deteriorating quality of the grapes was blamed on the soil and climate, and this was the excuse for the time-honoured addition of water and sugar to make a wine sufficiently palatable.

In 1959, Dr Chamberlain of the DSIR and Frank Berry-smith published a paper identifying two virus diseases here for the first time, leaf roll and fan leaf.

Though not attacking the roots like phylloxera, the effect was the same – inhibiting natural sugar development, decreasing the yield, slowing the maturing rate, and lightening the colour in red wines.

And now virologists have concluded that phylloxera may spread these diseases even more rapidly.

The only scientific answer to these parasitic problems is to heat treat cuttings to get rid of the virus and ensure they are grafted on to disease-resistant American rootstocks.

Because of the burgeoning demand for grapes over the past decade to meet a captive wine market, vineyard owners neglected to take precautions. Now it is estimated that 80 per cent of our vines are grown on their own roots and are susceptible to disease.

There is no escape from the problem. A new grower in, say, Gisborne may plant out his vineyard in cuttings, obtain a mediocre crop in say three to four years, a good crop in six years, and then the yield and the quality will begin to decline as the parasites invade his field.

There is no protection or remedy except planting grafted rootstocks. And there is always the risk of virus diseases being carried from a neighbouring vineyard.

The eminent German viticulturist, Professor Becker, who was brought out recently by the Department of Foreign Affairs and the Wine Institute, said in a public address: "I do not want to sound like an alarmist or to cause any over-reaction, but I have to tell you that you have quite a big problem with phylloxera, certainly in Auckland, Gisborne and Hawke's Bay".

It is reported that Prime Minister Rob Muldoon was visibly concerned when, at a private meeting, Professor Becker emphasised the seriousness of the problem.

Too much rain can mar a vineyard. Grapevines like a well-drained soil and can stand drought better than most other fruits.

They dislike a waterlogged soil and if rains occur during the ripening period or just before harvesting, the time the water takes to drain away and for dry conditions to return are critical.

Rains during the blooming period may cause a poor set of berries, delay ripening, and produce low-quality or losses by splitting the berries, and induce diseases such as bunch rot and mildew.

Ideally the grapes like a dry period before harvesting. Therefore, the less rain that falls in January, February and March, the better the wine.

No well known vineyard area in the world has a rainfall as high as Oratia-Henderson (about 1580 mm). And no well-known world vineyard area has an annual rainfall of more than 1000 mm. Most are below 750 mm.

Apart from the addition of cane sugar to overcome the incomplete ripening of the fruit because of the rainfall, some winegrowers have found that the addition of water helps to "flatten" out the acidity and make a blander wine.

The wine, naturally, loses a lot of its body, character, finesse and aroma. But it is still drinkable and is harmless as long as some other additives are not included.

The trend is to plant in areas other than in Henderson. But the most favoured area is Gisborne because of its proximity to winemaking plants and distribution centres in Auckland, and because of the larger yields.

Gisborne, though not having as much rainfall as Henderson (about 1430 mm), has rain falling on 154 days in the year, and has a very rich soil which gives large yields. Generally speaking, the quality is not as good as Henderson, which has poorer soil.

The outstanding attribute of the soil of fine vineyards throughout the world is its obvious poverty, because vines often do their best in land where nothing else will grow.

But with a protected market, winemakers are hard put to meet the demand and are interested in yield rather than quality.

Though New Zealand wines have increased immeasurably in quality over the past 10 years, it is difficult to see any further appreciable rise in quality with the present inordinate amounts of cane sugar and water being permitted, and with little competition allowed from overseas.

There are conscientious winemakers who will continue to make wine without any additives. But the quality of a country's wine is judged as a whole.

No one would suggest that there is no bad wine made in France or Germany, but no one would suggest France or Germany has little good wine.

Months of pondering still leaves voting unclear

by Jack Hodder

ELECTORAL laws are absolutely fundamental to our democracy. That democracy is founded on the notion that free and fair elections yield representative members of Parliament who pass laws, vote taxes and themselves elect the government of the day. If the elections are doubtful then the legitimacy of the entire governmental edifice becomes suspect.

Our electoral laws have been under close scrutiny since the 1978 General Election. Last month saw a heavy-weight contribution from the judiciary.

All five permanent judges of the Court of Appeal (which normally sits in divisions with three judges only) were unanimous in their interpretation of provisions of the Electoral Act 1956 relating to the method of voting in Parliamentary elections and the counting of such votes: *Wybrow v Chief Electoral Officer (CA 32/80; 23 May 1980).*

The interpretation laid down in the Wybrow case is different from, and overrules as incorrect the interpretation applied by three Supreme Court judges (Chief Justice Sir Ronald Davison, Mr Justice Speight and Mr Justice Sinclair) in the *Hunua Election Petition case (1979) 1 NZLR 251.* The Wybrow decision came almost exactly one year after the conclusion of the Hunua case with the replacement by National's Winston Peters of Labour's Malcolm Douglas as MP for Hunua.

What the Wybrow decision actually did was to grant to the plaintiff (the General Secretary of the NZ Labour Party as a representative of the NZ council of that party) the following declaration: *That on the true construction of the Electoral Act 1956 a returning officer must not reject a ballot paper as informal under s115 (2)(a)(ii) of that Act unless the paper does not clearly indicate the candidate for whom the voter desired to vote.*

A full understanding of that declaration requires a closer encounter with the language of the Electoral Act 1956. Section 87 of the Act requires that ballot papers alphabetically list the persons nominated as candidates for the election and show opposite the name of each candidate their party designation. (This is the only acknowledgement in the Act of the existence of political parties.)

Section 106(1) sets out the method of voting: The voter, having received a ballot paper, shall immediately retire into one of the inner compartments provided for the purpose, and shall there alone and secretly exercise his vote by marking his ballot paper by striking out the name of every candidate except the one for whom he wishes to vote."

Finally, there is s115(..2)(a) of the Act dealing with the returning officer's count of votes cast within an electorate. Before the actual count the returning officer is directed to reject as informal: "Any ballot paper that does not clearly indicate the candidate for whom the voter desired to vote: provided that no ballot paper shall be rejected as informal by reason only of some informality in the manner in which it has been dealt with by the voter if it is otherwise regular, and if in the opinion of the returning officer the intention of the voter in voting is clearly indicated".

The problems in these provisions stem from the word "shall" in s106(1). Normally the use of the word "shall" means that a statutory requirement is mandatory and failure to comply is fatal. This was the approach taken in the Hunua decision.

The Supreme Court judges decided that "shall" in s106(1) means "must" (reinforced in their opinion by the "entrenchment" of s106 by s189) and that a ballot paper not complying with s106 by striking out names except that of the favoured candidate was not "otherwise regular" within the terms of the proviso to s115(2)(a) and could not be saved by that proviso.

The Court of Appeal in the Wybrow case took a rather broader approach. It said that regard must be had "not merely to the letter but also to the apparent object of the legislation". It found that s106 was primarily concerned to ensure that voting was secret and for a single candidate.

In an important passage the Court of Appeal said: "the ultimate object of the democratic system embodied in the Electoral Act is that elections shall be determined by the wishes of voters recorded at secret ballots. Uniformity in voting methods is not an end in itself."

The court proceeded to note that s106 does not spell out the precise consequences of non-compliance and ruled that the consequences of informalities are to be determined under s115 alone. On that basis the clear intention of the voter is paramount and compliance with s106 irrelevant. Hence the declaration of the court as set out above.

The Court of Appeal also reviewed a line of electoral law cases both in New Zealand and other Commonwealth jurisdictions.

The basic propositions emerging from these cases (Hunua being an exception) were that the legislature must be taken to have intended to facilitate rather than obstruct voting and that a liberal interpretation of electoral laws was desirable to ensure that the citizen intending to vote was not deprived of the realisation of his intention.

The Court of Appeal's approach seems well justified on the bases of commonsense and democratic ideals. But the fact that the Wybrow decision makes both s106(1) and the proviso to s115(2)(a) virtually redundant demonstrates that the Hunua decision was not outrageous and that the Electoral Act remains in need of a careful overhaul.

It will be noted that the Court of Appeal did not apply the "clear intention" test to any particular form of voting. It said that the application of such a test was a function given by the Act to the returning officer whose decision could be challenged on a recount (before a District Court judge) or on an election petition.

That may well be so but it is regrettable that the Court of Appeal did not deal directly with perhaps the most important block of votes rejected in Hunua – those indicating a party preference only. As mentioned above, the Electoral Act has been drafted in terms of *candidates* – individual persons – and with an almost deliberate lack of recognition of the existence of political parties.

Thus, after the expenditure of a considerable amount of time and money, it cannot be said that all has been revealed in shining clarity.

There is also the unhappy prospect for those who have funded this exercise that the Court of Appeal's interpretation may and perhaps should be overtaken by the major amendment to the Electoral Act which is supposed to surface during this parliamentary session.

Cut-price stationery scheme hits opposition

A DISCOUNT scheme offering lawyers cut-price stationery and office equipment has run into opposition from some members of the New Zealand Commercial Stationers' Guild.

Informed sources say a letter was circulated asking members for suggestions on ways to combat the scheme, which has been in operation since February, and that representations were made to New Zealand Forest Products Ltd, which owns 49 per cent of the firm running the scheme.

The firm is the Office Typewriter Co Ltd, which has launched the discount plan with the Law Practitioners' Co-operative Society – a body set up in 1970 to provide members with benefits which now include medical and insurance schemes.

According to OTC managing director Peter Kyme, members get a 15 per cent rebate on their monthly stationery orders.

He says the scheme is very successful, with lawyers joining up every day.

"If it continues to go well we may be able to offer even better prices next year," he said.

OTC plans to introduce the scheme into other market segments.

The Legal Practitioners' Society also gets a rebate on the sales of stationery to its members.

Lawyers told *NBR* that since OTC's scheme began, other stationers have been offering to match their prices.

"Why couldn't it happen two years ago?" one commented.

Kyme says that some others in the trade were totally against the idea.

"But we think the fuss will gradually die down," he said.

"We're doing in stationery what Gubay did with groceries. This sort of scheme is common overseas.

"Since when can't you do something that will benefit your customers, as long as it's good business practice."

A Christchurch stationery firm aroused the disapproval of southern guild members, according to informed sources, when it offered Candida envelopes at a 20 per cent discount.

Candida, based in Glenfield, Auckland, has since changed its Christchurch distribution outlet, following pressure from the Stationers' Guild.

This attracted the attention of the Commerce Commission, and an investigation was made.

Auckland guild offices would not comment on the OTC discount scheme.

National guild secretary Terry Currie said the commercial stationery trade was "not particularly concerned".

"We don't think it's had a lot of impact except in the Auckland metropolitan areas," he said.

"Most commercial stationers have been able to retain their legal customers by offering good service to their existing clientele."

Some aspects of the OTC scheme had concerned the guild, in that the firm had said it was offering 15 per cent less than the price book, Currie said.

"We don't have a price book," he said. "Price competition has been a feature of the stationery trade ever since local manufacture got under way.

"There are discounts available to anyone who buys a number of items. The only difference here is that OTC has done a deal with a nationwide professional society."

Local stationers could compete with the scheme by providing good, personal service.

Health

Green-lipped mussels clamped in controversy

by Al Morrison

EXTRACT from the New Zealand green-lipped mussel has become the subject of international legal, commercial and medical controversy as manufacturers compete to corner the market on the lucrative substance.

A $5 million suit (to be defended) has been filed in the Auckland High Court, trade marks are being tied up here and overseas and medical researchers are involved in a race to test the claimed benefits of the substance.

The mussel lives under carefully nurtured conditions in peaceful waters of the Hauraki Gulf.

Extract taken from it at a particular time in its life cycle is creating far-from-peaceful conditions.

At the centre of the controversy are the innocent parties — the millions of arthritics around the world.

The extract, it is claimed, has beneficial effects for sufferers.

Steadily climbing sales show that this huge segment of the medical market is prepared to give it a go and establish a multi-million dollar sales potential.

Because the claims apply only to extract from the New Zealand green-lipped mussel, local manufacturers have an advantage in the action.

The extraction process and claimed benefits for the substance were discovered in the United States about 10 years ago. And it is a Californian company, the Aquaculture Corporation, which has filed a $5 million writ in the Auckland High Court.

The writ is filed against McFarlane Fisheries Ltd, first defendant, McFarlane Laboratories Ltd, second defendant, Stuart McFarlane, third defendant and Aucklander Ivan Sumich, fourth defendant.

The writ claims McFarlane obtained confidential information, and used it to manufacture the extract under the trade name Seatone.

The Aquaculture Corporation markets the extract under the trade name Neptone. It had intended to import Neptone into New Zealand through Aqua Farms Ltd, a company which is associated with the Dunedin based company, Wilson Neill Ltd.

Sumich, cited as fourth defendant in the writ, registered the trade name Neptone for use in New Zealand for any fish, fish extract, shellfish, shellfish extract or any like foods in that class on June 13 1974.

Aquaculture lodged an application in New Zealand for use of the trade name on November 3 1977. A decision is still pending as to its right to use the name.

The mussel extract is also marketed through health shop outlets, under the trade name Aquatone, by Healtheries New Zealand Ltd.

E Just, of Healtheries, said the company sells about 3.5 million tablets and capsules here and overseas a year.

He said the company has "a fair bit of competition" from Seatone on the overseas and local market.

Just said the process used by the company to extract the substance from the mussel is confidential, as are sales earnings.

The company is having difficulty overseas where Aquatone has been registered for use by some other company or person he said.

"It is being sorted out at the moment. It's a delicate situation at the moment," Just said.

McFarlane's marketing manager, L Calver, said the issue was "very sensitive".

The company exports Seatone to the United Kingdom, Australia, South Africa, Europe, Japan and Taiwan.

It is very cagey about giving out details of sales, but a recent report showed only 12 per cent of Seatone sells on the domestic market and 1979 export earnings were close to $5 million.

Seatone retails in New Zealand at $10.27 for 75 capsules. Aquatone is slightly less expensive when relative strength is accounted for.

The potential market is so large that the mussel extract could become a consistent multi-million dollar export earner.

In the early 1970s the Ministry of Fisheries was looking at potential earnings and made efforts to have the claims for the extract checked out scientifically.

Some studies have been done, but as yet there is no solid scientific support from trials to substantiate claims, although there is a wealth of testimonial evidence that some people who take the extract feel better.

Medical opinion remains suspended until the outcome of a properly designed trial is known.

Such a trial recently began in Auckland under the control of three Auckland rheumatologists.

Dr Caughey, one of the researchers, said impetus has been given to the trial with a similar trial planned by Dr E Huskisson of St Bartholemews Hospital in London.

If the mussel extract is shown to have some statistically significant benefit, an already flourishing market could rocket into a major export industry.

But if the results are unfavourable, the "benefit-of-the-doubt" market will diminish and the mussel extract will likely revert to a small "grandmother's remedy" clientele.

Seatone's efficacy put to double blind test

by Lindsey Dawson

HOSPITAL testing of Seatone, the mussel extract product which rheumatism sufferers have acclaimed, has begun in Auckland.

About 12 patients have agreed to take part in a double blind test to establish the efficacy of Seatone.

Dr Peter Gow, a specialist in rheumatic diseases at Middlemore Hospital, said it was a slow process to get the right type of patient to take part in the test. Recruiting is continuing.

"They have to be people with fairly mild rheumatoid arthritis whose condition can be fairly well-controlled with routine anti-inflammatory drugs, and not steroids," Gow said.

Steroid takers are ruled out because it is thought that Seatone might work in the same way, and doctors need to be able to establish if Seatone can work on its own.

Patients all start by taking anti-inflammatory drugs as well as Seatone or its placebo substitute — a substance designed to smell and taste like the real thing. Patients do not know which one they are taking.

"After six weeks we'll stop the anti-inflammatory drugs, to see if those on Seatone can continue on Seatone alone," Gow said. "We'll be watching the drop-out rate, and putting patients back on normal medication as soon as they request it. We certainly won't ask people to grit their teeth and carry on".

Anti-inflammatory drugs, like aspirin and Brufen, are used at first because it is common practice with Seatone takers.

"I have yet to see a patient who can start out with Seatone alone. Most take other drugs as well," Gow said.

An earlier study on the New Zealand product was carried out in Glasgow, but the patients were not very well matched, he said.

Gow is one of a team of doctors running the Middlemore test. Another is to be carried out at St Bartholemews Hospital, London.

The Auckland test began three weeks ago. It will take several weeks for the first results to show.

The study should be completed by the end of the year

Government administration

Commercial Fishing's net falls short of MAF's

by Warren Berryman

GOVERNMENT usually frowns when two or more private companies get togther to fix prices on the grounds that open competition is usually in the consumer's best interest.

But it's a different story when a Government ministry agrees to fix prices with a privately owned competitor ...or so it would seem in the case of the Ministry of Agriculture and Fisheries' fishing magazine *Catch* versus the privately owned magazine *Commercial Fishing*.

Both magazines vie for advertising revenue in the relatively small local fishing market.

Commercial Fishing is owned by an Auckland publishing house, Trade Publications Ltd.

The editor of the magazine, Gordon Ferrier, wrote to Fisheries Minister Duncan MacIntyre claiming his magazine was losing $2015 a month because the advertising rates in *Catch* were substantially lower than his own.

Ferrier told the Minister: "The rates set by *Catch* bear no relationship to production and distribution costs — which is the only criteria private enterprise can successfully operate a magazine under."

In short, Ferrier pointed out that *Catch* was subsidised by taxpayers' money while his magazine had to make a profit to survive.

That sort of competition, said Ferrier, was unfair.

Ferrier also argued that *Commercial Fishing* took an independent standpoint, doing its research and writing articles, while *Catch* "could hardly claim to be a news magazine as it is unable to critically examine its own ministry's policies or comment on contentious issues – it can only follow the Government line".

Fisheries Minister Duncan MacIntyre answered Ferrier's letter in a sympathetic tone, saying that if a copy of *Commercial Fishing's* rate card were sent to the editor of *Catch*, he would ensure that *Catch's* ad rates were no lower than those ruling in *Commercial Fishing*.

"In future, the Ministry of Agriculture and Fisheries will be quite prepared to raise *Catch* 1979 rates in line with increase in *Commercial Fishing's* charges if notified when these occur," MacIntyre wrote.

"The Ministry of Agriculture and Fisheries will also maintain its current policy of not actively soliciting advertising and will continue to respond only to requests for space or information," MacIntyre wrote. (While *Catch* may not actively solicit advertising, advertising agencies do receive its promotion blurb and rate card.)

MacIntyre ended his letter: "This should minimise competition with *Commercial Fishing* while maintaining an important extension service for the fishing industry, and hopefully allays your concern".

Catch, acting on Ministry policy, put its ad rates up from $235 a full page to $305. But this did not match *Commercial Fishing's* current rate of $350 for a full page.

Catch editor Geoff Adlam said that because he had not received a current rate card for *Commercial Fishing*, he matched the rate given in the *Media Digest*.

But *Commercial Fishing's* rates had gone up to $350 since the last *Media Diget* had been published.

And another round of letters started flowing between *Commercial Fishing* and Wellington.

Adlam said he would soon put up his rates again to match *Commercial Fishing's* new rates.

But Ferrier is far from happy. While all the price-fixing was being negotiated between *Catch* and *Commercial Fishing* the Fisheries Ministry started up another magazine with even lower advertising rates.

The ministry is planning to put out a booklet entitled, *Contacts in Fishing* as a companion to *Contacts in Agriculture*.

Contributors have been notified that this year's deadline is June 30.

Advertisers have been notified that advertising in this publication will cost them $120 for a single page.

Commercial Fishing would like to see these "subsidised rates" increased.

Conduct on techno transfer

"REAL progress" has been made toward concluding a code of conduct on the transfer of technology from industrial countries to developing countries, according to the United States representative to a conference seeking to conclude such a code.

The conference made particular progress on a chapter providing guidelines as to the types of clauses that should be included in transfer of technology contracts, William R Brew, deputy director of the State Department Office of Business Practices, said in Geneva.

Brew said the United States favoured a "check-list" approach to the type of contract provisions that would be covered in the code.

The 96 countries taking part in the conference agreed to meet again to settle remaining issues, probably late in 1980 or early 1981, he said.

A code of conduct governing the licensing and selling of technology needed to include clauses on the use of technological knowledge, once it has been transferred, Brew said.

The code's scope of application still remains to be resolved.

Commission chief details scope of industry study

POSITION papers covering three sectors of the plastic industry study have been completed by the Industries Development Commission and forwarded to interested parties for their further discussion.

The papers cover information received so far on sectors eight and 12 (film bags and sachets), sector two (pipes, piping, tubing and hose), and sector nine (tapes, self-adhesive and other).

There has been mixed industry reaction to the position papers, but PINZ executive director Bruce Dunlop considers the reports to be a fair and accurate assessment of the information supplied to the IDC.

THE editorial content for our pages on the plastics industry is prepared by David Peach in association with the Plastics Institute.

He said the papers had highlighted some areas where more information would be required if the commission was to get an accurate perspective of the plastics industry generally.

IDC chairman Ted Tarrant said the industry should not lose sight of the fact that the position papers were produced only to bring together that information that had been received so far. That included the material supplied by the industry and individuals, material collected by the commission itself during several visits to factories throughout the country and statistical information provided by a number of Government agencies.

The position papers are by no means the last word. They are progress reports and a request for more information from particular industry sectors.

"The key to the study will be the hearings and the cross examination at the hearings which are scheduled for later in the study programme," Tarrant said.

He was not surprised that some in the industry approached reviews of the commission's position papers with some trepidation.

"Many in the industry have yet to fully understand the purpose of the commission's study," Tarrant said. "We are not on a search discover and destroy mission.

"Our mission is, in fact, to establish from the industry its needs, wants and aspirations, consider them in the context of what is best for the country and then produce a blue-print for future development fitting to the industry's own objectives.

Ted Tarrant . . . hearings will be key.

"And we hope the position papers will help to stimulate the industry to further input, so this can be properly achieved."

Tarrant said it was necessary for the industry to make clear points of general principle and policy.

Industry attitudes to matters that affected the industry generally should be put into immediate perspective and not diluted by incorporation into individual sector submissions, he said.

It was important that the commission be aware of the industry's attitudes so the forthcoming hearings would work to confirm and reinforce them.

If this was not done, Tarrant said, the hearings would serve almost entirely as a means of soliciting new information and important objectives may be overlooked.

"The real value of the hearings is surely the opportunity they provide to the industry to substantiate that which it considers important, even though it may not have already been written down," he said.

Some sectors of the textiles and garments industry had also faced their industry study with some trepidation.

Some thought the commission was about to flood the market with Korean-made T-shirts, and it took some 18 months to convince them that was not the purpose of the study.

"As with plastics, we were looking at industry contribution 10 years hence," Tarrant said.

"I concede the plastics industry is not making a doubtful contribution and there are no grounds to say its contribution won't improve.

"It is apparent to the commission from its study of various plastics enterprises that the industry is moving toward supplying a continued diversity of essential componentry to industry generally.

"And the industry is already making an essential contribution to our on-going agricultural exports in the form of packaging. Even the information we have processed so far indicates that plastics is regarded as a potential essential industry to our economy, but that doesn't mean to say that the industry cannot be guided to greater productivity."

The scope of the input to the study will determine the scope of the report to the Government.

The stakes were high, Tarrant said, and if the industry was to achieve the potential it said it had, it should be convincing of its special attributes.

Brushes drop in price stroke

WHEN most goods are soaring in price, Auckland paint brush manufacturer Paint Aids Limited, is slashing the price of some lines by 16 per cent. The cuts are due to more efficient production techniques.

New machinery and cost-cutting innovations including a new style polypropylene handle using less material and halving the price had made price decreases possible, said managing director Cam Archibald. The new handles were also lighter, better balanced and longer lasting than the wooden equivalent, he said.

Carpet underlays roll out for US fire test

NO significant differences in the fire behaviour of five different types of carpet underlays were found in a recent American fire test.

Reports of the large-scale tests, carried out by the National Bureau of Fire Standards, have just reached New Zealand.

The tests, sponsored by the Urethane Safety Group of the Society of the Plastics Industry, were conducted at the NBS testing facilities at Washington ZDC.

The five types of underlayments tested were hair jute, virgin urethane, rebonded urethane, integral latex and styrenebutadiene rubber (SBR) waffle pad.

Eleven separate tests were conducted using the same carpet material – three-ply nylon yarn with a total weight of 56oz per square yard – in all tests.

Preliminary tests were made with no carpet or underlayment and with carpet alone.

The tests were to evaluate the fire performance of carpet and underlayment installed in a corridor configuration.

Carpet . . . underlay lowers radiant flux

General conclusions of the NBS fire tests were that:

- Each of five underlayments used in combination with a standard carpet caused flashover in 10 to 13.5 minutes in the corridor fire test experiment;
- Temperature data and profiles for the five different underlayments did not appear to show any significant differences;
- All of the underlayments lowered the critical radiant flux of the carpet system so that the carpets with underlayment burned a greater distance compared to the carpet alone;
- High concentrations of toxic combustion products such as hydrogen cyanide (HCN) and carbon monoxide (CO) were observed at the time of flashover with both cellulostic and synthetic underlayments. But, prior to flashover, and in those cases where flashover did not occur, there was no significant build-up of toxic gases;
- All of the underlayments, when used with a standard carpet, had a higher maximum specific optical density in the smouldering mode than the carpet alone. In the flaming mode, the smoking values from the carpet alone and the carpet with underlayment were similar. An exception was the integral pad system which had a higher smoke value in the smouldering or the flaming mode than any of the others.

The large-scale tests were undertaken because previous research and fire experience revealed the shortcomings of small-scale test procedures in providing accurate hazard and performance data applicable to actual fire conditions.

As a result of the NBS evaluation of the results of several kinds of small-scale tests, the floor radiant panel test was chosen by the NBS as a correlative small-scale test to the large-scale NBS corridor test.

Sheeting survey

KEY areas of industry where greater manufacturing efficiency could be achieved through the use of plastics have been highlighted by a recent survey conducted by Flight Plastics Ltd.

According to Flight sales manager Murray Jones, the objects of the survey were to identify:

- The variety of applications for various types of plastic sheet;
- The potential growth areas for plastic sheet usage;
- The potential market for sheet types which the company currently does not make but could manufacture by either utilising existing machinery;
- The extent to which imported sheeting is affecting present sales and sales potential for a locally-produced product.

Jones said that to gain the widest possible input to the survey, the company conducted it as a contest between its selling agents, requesting from them reports on current and potential market use for the plastic sheet materials it manufactures.

"We set targets for a number of entries and the reports we received were of a very high calibre," he said.

The company considered its sales personnel were the most appropriate people to do the survey because they were in close daily contact with people in the marketplace.

"The survey has given us a greater appreciation of our market and has given us some indication as to where our marketing thrust should be directed," Jones said.

The prize for the best report was an Australian holiday, won by Tony Butler of Dunedin.

Recycler moves into low-density film waste

ONE of the most heartening aspects of establishing a plastics waste recycling industry has been the unqualified support of the Government and the plastics industry at large, according to Plastic Granulators managing director Murray Scott.

"Both are very keen to see the industry succeed, for economic reasons and for environmental ones," he said.

"Plastics waste has been the bane of environmentalists for several years, but now we are doing something positive to allay much of the criticism."

Plastic Granulators was formed in 1974 to granulate and recycle thermoplastic waste.

Overseas technology was used extensively to set up the operation, but local developments furthered processing to achieve an end product that was free of dust and contaminants.

Much of the company's output in the early years was thermoplastic rubber – the type commonly used for modern shoe soles.

But operations became uneconomic because of material supply problems, and under Scott's managing directorship the company moved heavily toward recycling low-density polyethylene film waste.

Scott explained that the change in production emphasis came as a result of an increased knowledge of plastics materials and the supply and demand problems associated with recycling.

"Low-density polyethylene film – or shrink wrap – is the most suitable material for recycling as far as we are concerned now, because a substantial market already exists for the reconstituted product," he said.

"The enormous quantity of waste from some of the

Murray Scott . . . Government and industry support

country's major industries, particularly the dairy and wine-making industries, has guaranteed the supply of the necessary ingredients for the recycling process, but we continue to have problems with sorting and collecting waste from round the country and delivering it to our Otaki plant."

Recent investigations by the company have shown that it requires plastics waste from every available source to remain economic.

Scott says the company is awaiting receipt of it first imported shipment of plastics waste film that was originally exported as packaging for New Zealand-produced goods.

"This is necessary if we are to operate at full capacity, something we must achieve to make optimum use of our capital intensive plant," he said.

"And because of New Zealand's high internal transportation costs, in some cases it is just as economic to import plastics waste from overseas as it is to transport it down from Auckland."

Scott says further research into the components of different plastics materials could result in a much wider range of plastics material being recycled, and that would lead to greater economies for the company.

"At the moment we can not re-process co-extruded plastic waste, but this could become possible in the future."

Various Government agencies are supporting the company's research programme to find a means of processing other plastics waste.

Plastic Granulator's Otaki plant is distinctive in its process of waste. Unlike smaller "in house" recycling units operated by manufacturers round the country, it can cope with a relatively high level of contamination in the waste materials without affecting the quality of the end product.

While the company's product is of good quality, it is used in limited applications. Much of the output is manufactured by processors back into film product and then used for items like local authority rubbish bags and building and agricultural films.

Scott says the applications for recycled plastic are far greater but there are some restrictions in achieving a wider use for the material.

Plastic Granulators' recycling process starts with the hand sorting of material into grades and colour categories on receipt at the plant.

The material is then washed and chopped into fine slices and passed through a contaminant detector to ensure cleanliness.

The plastic is extruded into pellets and packaged ready for sale to manufacturers.

Easy-to-clean toilet seat sales exceed projections

LOCAL sales worth more than $100,000 and a substantial Australian export market are expected for a new-design in plastic toilet seats.

Christchurch specialist custom moulder, Talbot Plastics Ltd, has recently released an easy-to-clean polypropylene seat on the local market and managing director, Peter Talbot, said sales are already 50 per cent up on projections.

The seat has been more than 18 months in development, and according to Talbot is a combination of all the best ideas.

Seats are made from 10mm thick moulded polypropylene, and Talbot said the development of a suitable moulding process has not been without difficulties.

Polypropylene is usually used in thin lightweight applications, and is difficult to mould in thick sections. But the 17-employee company has overcome the technical problems and expects to start exporting the seats to Australia within the next couple of months.

It saw the Australian market as having long-term potential. Talbot said a recent survey showed that New Zealanders buy 100,000 toilet seats each year, and in Australia, where there is a far larger population, the corresponding figure would run into the millions.

The South Island company is ready to release another new product on the local market – a plastic brick tie for attaching brick veneer on to wooden frames in houses. The product has been tested by the Building Research Association and Talbot expected it to be available in commercial quantities in about three months.

Muldoon turns to granulators to cut imports

AT the touch of a button, Prime Minister Rob Muldoon officially put into operation a new plastics enterprise that promises to be a multi-million dollar import saver for New Zealand.

Opening a new plastics recycling plant for Plastics Granulators (NZ) Ltd in Otaki, Muldoon said the development of the company was a story of remarkable local enterprise which had its beginnings 10 years ago as a thermoplastics recovery plant in an old builder's shed.

He said the operation reached the stage of exporting to Australia and undertaking custom granulating for the local market.

"The Resource Conservation Section of the Department of Trade and Industry, which was very interested in what the company was doing, wanted it to expand beyond the area of thermoplastic recycling, which of itself, was becoming uneconomic," Muldoon said.

The upshot of this, and other factors, saw the establishment of Plastic Granulators.

Muldoon said the early efforts of the company were very creditable, in pioneering plastics recycling in this country.

"Considerable research, the assistance of the Departments of Trade and Industry and Scientific and Industrial Research, and some financial backing from the Development Finance Corporation helped make possible the formation of this new company for the reconstitution of waste plastic film – the sort used to protect bottles and glassware in transit, for milk powder bags in the dairy industry and meat bags essential to the freezing industry," he said.

"The company has established its own collection service for waste plastic film from 400 to 500 suppliers. Most of them are major industries in the North Island and some in the north of the South Island.

"The big problem facing the company is making the collections nationwide because there is a limit in such a capital intensive operation to additional recycling plants of the same type elsewhere.

"The possibilities in extending the collection of waste plastic film are tremendous, reaching right out into the home."

Muldoon said the company had sought the co-operation of 240 local authorities in this respect.

"Organisations which collect bottles and conduct clothes drives are also finding it worthwhile to include plastics waste," he said.

Plastic Granulators expects to process 2000 tonnes of low-density polyethylene this financial year.

About 1500 tonnes of this is committed to the New

Waste plastic . . . $3 million a year import saver

Zealand market and there is a firm market for the rest in Australia.

The end product of the process is a resin granule suitable for reprocessing into building and agricultural film and other commercial uses like local authority rubbish bags.

"Low-density polyethylene is costing importers an average of $1400 a tonne," Muldoon said.

"The expected saving this financial year from using LDPE processed here instead of imported resin is nearly $3 million.

"The Otaki product is selling on the New Zealand market for $830 a tonne with a comparable return on the Australian market. Being able to buy at this price has helped at least some exporters to become competitive.

"The material this plant suppliers is almost entirely used by manufacturers for the export of manufactured goods valued at more than $6 million each year.

"In addition to the savings of overseas funds by import replacement, and the earnings of such funds by exports of the local product, suppliers of waste plastic film are effecting substantial savings through not having to meet dumping charges.

"One big dairy industry supplier of waste to this plant was previously paying $17,000 a year in waste dumping charges and a major winery about $20,000 a year."

Muldoon said the establishment of a plastics recyling industry in Otaki had made a significant contribution to the local economy.

He said that Otaki, not being in a regional development area, was not eligible to the special assistance available to such regions, so it was particularly creditable that directors "went it alone", except for some Development Finance Corporation backing.

"I was interested to hear that the plant operates 24 hours a day, seven days a week and that this is acceptable to the staff," he said.

"That sort of worker response is more forthcoming in a smaller place where there is community interest and pride in a local project and a realistic appreciation of the fact that management and staff have an equal stake in seeing to it that theirs is both a going and a growing concern," Muldoon said.

Pioneers gain accolade

PLASTICS Institute president John Mason welcomed the pioneering enterprise of Plastic Granulators at the official opening of the new plant.

While the practice of in-plant recycling of plastic scrap had been almost universally applied in the plastics industry and industry scrap recovery operations had been in existence for some years in the PVC sheetings industry, the collection, sorting and recycling of plastic materials from the consumer had proved to be a formidable task. This plant was a breakthrough in this area, Mason said.

The efficient re-use, or even efficient primary use, of plastic materials could be materially assisted by the use of standard specifications which specifically provide for the efficient use of such materials while still providing the user with a product which would perform to the user requirements.

PRIME Minister Rob Muldoon examines the *Plastics Communicator*, while the president of the Plastics Institute of New Zealand, John Mason, is prepared to answer questions.

The Institute has published the *Communicator*, which carries statistical information relating to the contribution of the plastics to the economy, for three years.

The issue being examined by Muldoon, was printed on a clear plastic, and accompanied by a folder designed to hold a five-part comprehensive background to the industry.

The *Communicator* is distributed to all members of Parliament.